ANNUAL FINANCIAL REPORT

Year ended December 31

2006

Montréal

ANNUAL FINANCIAL REPORT 2006

VILLE DE MONTRÉAL

2006 annual financial report
Year ended December 31, 2006

Deposited at the City Clerk's Office
of the Ville de Montréal
April 23, 2007

Montréal

Prepared by the Service des finances
Direction de la comptabilité et du
contrôle financier

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INTRODUCTION

2006

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MESSAGE FROM THE MAYOR AND THE CHAIR OF THE EXECUTIVE COMMITTEE

Dear Fellow Citizens,

Our administration has, since taking the helm in Montréal, always administered public funds with great diligence and care. The 2006 Financial Statements once again attest to this fact.

We began by putting our own house in order with a major review during 2006 that focused on all city activities, services, operations and programs. This exercise will result in our reducing expenditures by $300 million and by cutting 1,000 positions from our workforce over the next three years.

To create flexibility for achieving a balanced 2007 Budget, we also instituted a hiring freeze in the summer of 2006. In the fall of that year we persuaded all of the city's administrative units to reassess their spending and keep it to a strict minimum.

These initiatives have begun to bear fruit, which is why we managed to conclude fiscal 2006 with a budget surplus of $140.4 million, or 3.6% of the $3.855 billion budget that we tabled and adopted for this fiscal year. This ratio falls well within standards and compares favourably with that of many other major Québec cities.

Our surplus not only results from the efforts we have deployed in trimming and obtaining better control over our expenditures, but from a growth in revenue linked to the vitality of Montréal's economy, to tight debt management, to better investment planning, to savings on snow removal due to relatively mild weather, to the postponement of certain projects (such as implementation of the first responders' service, which is now set for 2007), to the staggering of various grant programs and to a decline in provisions for tax challenges and claims.

This budgetary surplus has already been largely allocated.

As was planned by a joint decision in December 2006 of the City Council and the Urban Agglomeration Council, an amount of $53.1 million (some 40% of this budgetary surplus) has already been assigned to the 2007 Budget.

The boroughs generated a bit more than 25% of this surplus by posting management surpluses which stood at $37.1 million by the end of 2006. This money will remain within the boroughs.

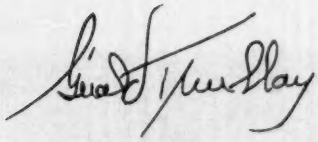
An amount of $33 million (24% of the surplus), will be used to top off the reserve established in 2005 to contend with financial contingencies. This reserve, which totalled $25 million in late 2006, will, accordingly, be restored to its initial level of $58 million.

Finally, $8.6 million will be returned to the Water Fund that we set up in 2003. This fund serves to develop and to carry out an ambitious program of improving the water supply system throughout the Island of Montréal.

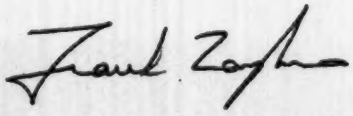
These results not only make us proud of the manner in which we have administered Montréal's public finances, but of our endeavours throughout 2006 to generate new financial flexibility. Montréal's financial situation, however, remains precarious. It is difficult for us to engage in long-term planning or to speak of development when our financial resources are drawn solely from property taxes.

That is why we are firmly committed to pursuing the efforts we have initiated with the Government of Québec to boost Montréal's administrative and fiscal autonomy. We are seeking two things from the Québec government: better distribution of the wealth generated within Montréal and predictable and permanent sources of funding.

Now, more than ever, Montréal requires additional revenue to comply with changing government regulations and to invest additionally in its water and road systems, in its sports and cultural facilities, in public transit, in the environment and in the public sector. We want the best for Montréal and for Montrealers and we will be dedicating all of our efforts to these goals.



Gérald Tremblay
Mayor of Montréal



Frank Zampino, FCA
Chair of the Executive Committee

MESSAGE FROM THE DIRECTOR GENERAL AND THE TREASURER

Fellow Citizens:

The year 2006 marked a turning point in Montréal's governance history, as it was the first year of operations under the responsibility of the new municipal governing bodies established by the Government of Québec following the demerger process. Montréal, in its role as central city, has, accordingly, provided the entire Island of Montréal with agglomeration services since January 1, 2006, while also serving the residents of its own 19 boroughs. This financial report thus illustrates the new sharing of responsibilities between the Urban Agglomeration Council and the City Council.

Our administration has sought to deal with this structural transformation as an excellent opportunity for creation and innovation, for reviewing its management processes, for rethinking its operating procedures and for finding new and more effective strategies. This effort has required a variety of changes that have been made out of a constant concern for resident needs.

Our administration is aware that a city's growth depends on the quality of its infrastructure, so it has acted boldly in adopting a true infrastructure management policy. In 2003, the city set up the Water Fund in view of making its water supply and sewer systems self-financing both locally and throughout the agglomeration within 20 years. In 2006, we took a similar approach by creating another fund, this one devoted to the road system. These moneys will be used to improve arterial and local roadways. This visionary approach to management presents the long-term benefit of paying as we go for the costs of upgrading and maintaining our infrastructure, rather than having to seek financing from the markets.

We have continued this year to rehabilitate our infrastructure. The city has therefore injected some $130 million into road repair and $106 million into the upgrade of its water supply and sewage systems and into the improvement of its water supply purification and production plants.

Efficient public transit also remains high on our list of priorities. With the help of all our partners, including the Government of Québec, we hope to obtain a sustainable financing system that will enable us to develop more effective and innovative approaches to transportation.

In July 2006, we launched a review of all our activities, services, operations and programs. This effort has begun to bear fruit in the results we are presenting today. All of our activities have been scrupulously examined and we have produced a chart of the savings we can achieve in many sectors of our organization. This effort shall continue in 2007.

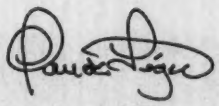
Furthermore, we have thoroughly reviewed hiring practices and limited procurement expenditures for supplies and services without thereby altering the quality of service provided to residents. Tight management of our investments and of our debt have enabled us to achieve substantial savings.

The effort to streamline our expenditures is part of an ongoing process. We have, accordingly, adopted a procurement policy that will subsequently enable us to more effectively manage the acquisition of goods, services and construction work for the island as a whole.

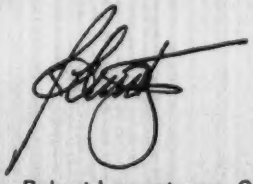
This prudent and rigorous management process, coupled with supplementary revenues generated through the vitality of Montréal's economy, has enabled us to free us a surplus of $140.4 million, representing 3.6% of the 2006 Budget.

All of our management methods are based on the three core values that guide our every decision: the importance of the quality of services dispenses to residents, a results-oriented management method based on predefined goals, and the respect for transparency. Our administration's efforts in 2006 culminated in important recognition from the financial markets. Moody's moved up the city's credit rating from its 2005 level of A-1 to Aa2 in 2006, while Standard and Poor's rated us at A+ stable. Such acclamation encourages us to maintain our method of managing public moneys in line with the highest standards of excellence.

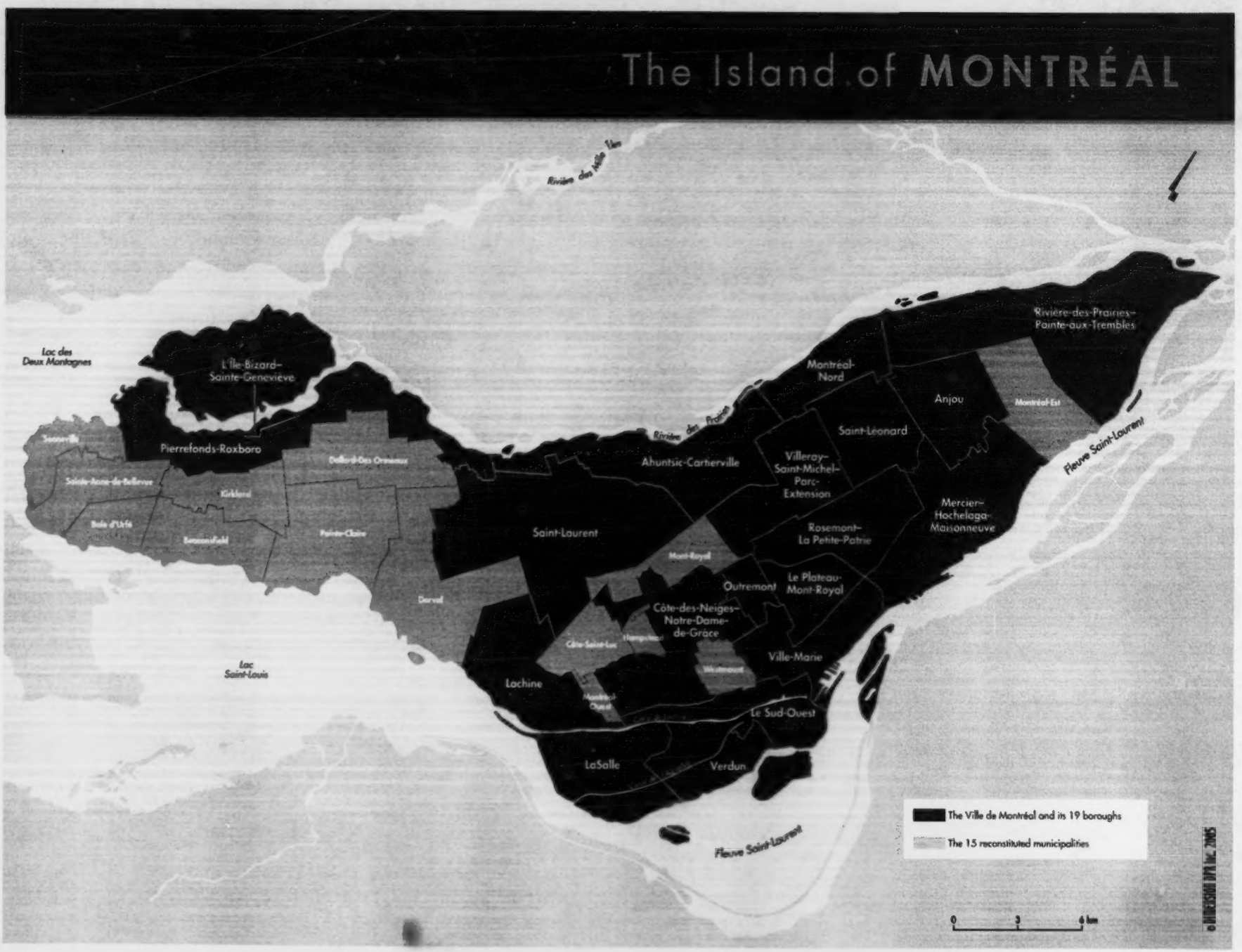
Responsible management of public moneys is also contingent on the commitment and quality of work accomplished by all municipal employees. The delivery of quality services to all residents, along with the implementation of the new organizational governance system, could not have been achieved without the concerted efforts of a remarkable team that has succeeded in taking change in hand and modifying our working methods accordingly. The many challenges with which we have been faced have not altered the quality of services that we provide to every Island resident. We are all driven by the singular mission of providing all residents with a healthy, robust and secure living environment.



Claude Léger, Eng.
Director General



Robert Lamontagne, CA
Principal Director and Treasurer


The Island of MONTRÉAL
Rivière des Mille Îles
Lac des Deux Montagnes
L'Île-Bizard–Sainte-Geneviève
Pierrefonds-Roxboro
Sainte-Anne-de-Bellevue
Kirkland
Baie d'Urfé
Beaconsfield
Pointe-Claire
Dollard-Des Ormeaux
Dorval
Lac Saint-Louis
Lachine
LaSalle
Verdun
Le Sud-Ouest
Ville-Marie
Côte-des-Neiges–Notre-Dame-de-Grâce
Outremont
Le Plateau-Mont-Royal
Mont-Royal
Côte-Saint-Luc
Hampstead
Westmount
Saint-Laurent
Ahuntsic-Cartierville
Rivière des Prairies
Montréal-Nord
Saint-Léonard
Villeray–Saint-Michel–Parc-Extension
Rosemont–La Petite-Patrie
Mercier–Hochelaga-Maisonneuve
Anjou
Montréal-Est
Rivière-des-Prairies–Pointe-aux-Trembles
Fleuve Saint-Laurent
Fleuve Saint-Laurent
The Ville de Montréal and its 19 boroughs
The 15 reconstituted municipalities
0
3
6 km
© MICHEL VAN BRABANT 2005

The Island of MONTRÉAL

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A NEW MUNICIPAL ORGANIZATION

January 1, 2006, marked the beginning of a new municipal organization. With the adoption of the *Act respecting the exercise of certain municipal powers in certain urban agglomerations*, the city's powers of administration are now divided among the urban agglomeration and local authorities. The government of Québec gave the Ville de Montréal the power to provide services and manage collective amenities for all island residents. Montréal also provides local services to its residents.

Montréal Urban Agglomeration Council

The urban agglomeration responsibilities are exercised within the Urban Agglomeration Council. This new Montréal political entity and decision-making body has the authority throughout the Island of Montréal to adopt any by-law, authorize any expenditure and levy any tax.

The municipalities are represented at the Urban Agglomeration Council and their vote is proportional to their respective demographic weight. The mayor of Montréal presides over the Urban Agglomeration Council, which is made up of:

- 15 elected officials from Montréal's City Council, who are appointed by the mayor
- 14 mayors representing the 15 reconstituted municipalities (L'Île-Dorval and Dorval have one representative)
- An additional representative from Dollard-Des Ormeaux, named by the mayor of this municipality

As the central city within the agglomeration, Montréal is responsible for common services to citizens of all the municipalities, in a spirit of equity and solid management of public funds. These services include:

- Security: police, fire department and 9-1-1
- Water management, except local conduits
- Public transit
- Solid waste management plan
- Management of streets and arterial roads on the island
- Property assessment
- Economic promotion
- Municipal court

Costs for these services are covered by the income generated by the urban agglomeration tax, or common tax, paid by all taxpayers on the Island of Montréal.

City Council and Borough Councils

Montréal also assumes its responsibilities for local powers within the city. These responsibilities are shared among political bodies at two levels: the City Council and borough councils.

The **City Council**, which is made up of the mayor of Montréal and 65 city councillors, is responsible for:

- Adopting the urban plan which defines the city's key development orientations.
- Adopting the annual budget and the Three-Year Capital Works Program.
- Managing various municipal organizations, including the Conseil interculturel, Conseil du patrimoine and Office de consultation publique.

The **19 borough councils,** which are made up of at least five councillors each, including the borough mayor, are responsible for local services, including:

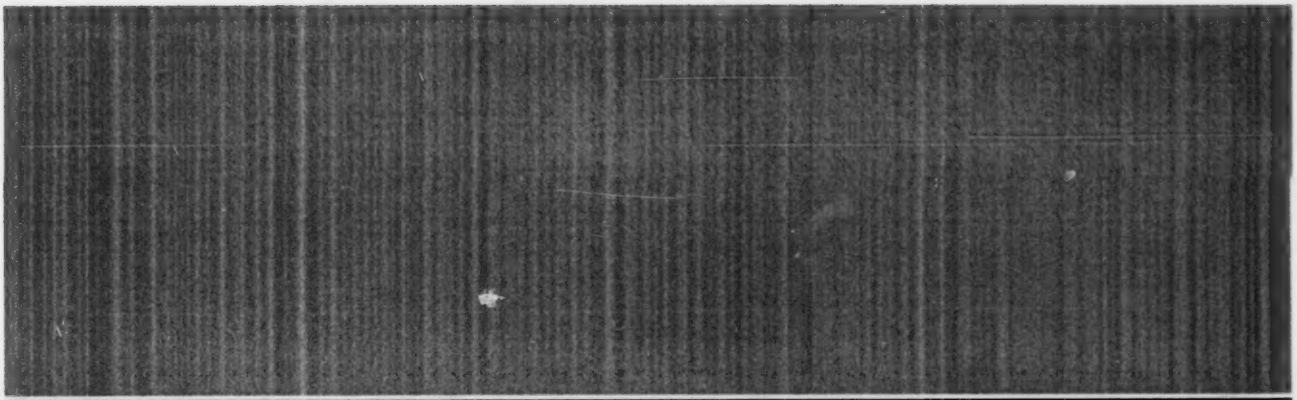
- The Urban Planning By-law
- Local economic, community and social development
- Local cultural and recreational facilities
- Local parks
- Local road management
- Cleanliness

The cost of local services on the Island of Montréal is paid using revenue from local property taxes, which is paid by all Montréal taxpayers. In some cases, taxpayers in a given borough may, according to decisions by their borough council, be required to pay a borough tax for local services received.

Financial Statements and the New Governance

Pursuant to the *Act respecting the exercise of certain municipal powers in certain urban agglomerations,* all Ville de Montréal expenditures and income must be accounted for and distributed according to the new governance structure, i.e. between the Urban Agglomeration Council budget and the City Council budget.

With this new type of governance, Montréal remains a key player in managing services provided to Island of Montréal residents. Given its role as a central city within the urban agglomeration and its role at the local level, Montréal continues to provide quality services to all citizens, as it manages public funds with utmost rigour.



FINANCIAL REPORTING
FINANCIAL STATEMENTS

2006

ANNUAL FINANCIAL REPORT

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The Municipal Administration's Responsibility for Financial Reporting

The financial statements in this report have been prepared according to the particularities of Québec municipal accounting, as described in Note 3 to the financial statements.

The financial statements and all other information in this annual financial report are the responsibility of the Municipal Administration. The Municipal Administration has also ensured consistency between the financial statements and all other information disclosed in the annual financial report.

To assess certain facts and operations, the Municipal Administration has made estimates based on its best judgment of the situation and by taking into account materiality.

The Municipal Administration is responsible for maintaining appropriate internal control and accounting systems that provide reasonable assurance that the City's policies are adopted, that its operations are carried out in accordance with the appropriate laws and authorizations, that its assets are adequately safeguarded and that the financial statements are based on reliable accounting records.

The City's powers are exercised by the City Council, by the Montréal Urban Agglomeration Council or by the borough committees.

The Audit Committee is made up of five members, two of which are external members. Its responsibilities include overseeing financial reporting and presentation procedures, which includes reviewing the financial statements and other information contained in this annual financial report.

The General Auditor of Montréal and the external auditors, Samson Bélair/Deloitte & Touche, s.e.n.c.r.l., have audited the financial statements and have presented the following report.

Robert Lamontagne, CA
Senior Director and Treasurer

Claude Léger, Eng.
Director General

Montréal, April 12, 2007

Montréal

Bureau du vérificateur général
1550, rue Metcalfe
Bureau 1201
Montréal (Québec) H3A 3P1

REPORT OF THE GENERAL AUDITOR OF MONTRÉAL

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of the Ville de Montréal,
the Members of the Montréal Agglomeration Council

I have audited the balance sheet of the Ville de Montréal (the City) as at December 31, 2006 and the statements of financial activities, investment activities, surplus, financial reserves and reserved funds, cost of municipal services, net investment in long-term assets and changes in financial position for the year then ended. These financial statements are the responsibility of the Municipal Administration. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Municipal Administration, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in Note 3 to the financial statements.

General auditor of Montréal,

Michel Doyon, CA

Montréal, April 12, 2007

Deloitte.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.
1 Place Ville Marie
Suite 3000
Montréal QC H3B 4T9
Canada

Tel: 514-393-5183
Fax: 514-390-4109
www.deloitte.ca

External auditors' report

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of the Ville de Montréal,
the Members of the Montréal Agglomeration Council

We have audited the balance sheet of the Ville de Montréal ("the City") as at December 31, 2006 and the statements of financial activities, investment activities, surplus, financial reserves and reserved funds, cost of municipal services, net investment in long-term assets and changes in financial position for the year then ended. These financial statements are the responsibility of the Municipal Administration. Our responsibility is to express an opinion on these financial statements based on our audit.

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Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

Chartered Accountants

Montréal, Canada
April 12, 2007

Member of
Deloitte Touche Tohmatsu

ANNUAL FINANCIAL REPORT

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Balance Sheet
As at December 31, 2006

	Notes	December 31, 2006	January 1, 2006 (Note 2)
		(in thousands of dollars)	
ASSETS			
Current			
Cash and investments	4	546,003	429,879
Investments – Sinking Fund	4	120,350	52,118
Accounts receivable	5	420,269	434,791
Inventories		23,559	24,817
Current portion of long-term receivables	7	83,102	81,433
		1,193,283	1,023,038
Investments	4	14,625	21,132
Investments – Sinking Fund	4	1,042,838	992,282
Assets held for sale		149,203	153,294
Deferred charges and other assets	6	45,105	57,095
Long-term receivables	7	1,316,328	1,361,551
Capital assets	8	5,640,284	5,459,486
		9,401,666	9,067,878
LIABILITIES			
Current			
Accounts payable, provisions and accrued liabilities	10	997,196	1,031,023
Current portion of long-term debt	12	416,634	284,176
		1,413,830	1,315,199
Deferred revenues	11	180,725	142,556
Long-term debt	12	6,134,091	6,064,720
Net obligation – Pension plans and other employee future benefits	13	133,632	614,272
Deferred subsidies	8	1,223,753	1,212,221
		9,086,031	9,348,968
TAXPAYERS' EQUITY			
Unrestricted surplus		93,674	7,505
Restricted surplus		247,509	301,253
Financial reserves and reserved funds		62,173	43,941
Net investment in long-term assets	14	110,749	52,986
Amount to be provided – Pension plans and other employee future benefits	13	(133,632)	(614,272)
Amount to be provided – Other	15	(64,838)	(72,503)
		315,635	(281,090)
Commitments and contingent liabilities	19		
		9,401,666	9,067,878

The notes and schedules are an integral part of the financial statements.

Statement of Financial Activities
Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	Actual
Revenues		
Taxes	2,539,848	2,526,576
Payments in lieu of taxes	236,578	246,309
Other revenues from local sources	625,959	636,484
Transfers	457,713	434,641
	3,860,098	3,844,010
Specific revenues transferred to investment activities	(51,923)	(71,013)
	3,808,175	3,772,997
Operating expenditures		
General administration	570,787	478,830
Public safety	781,110	765,816
Transportation	623,028	619,491
Environmental health	319,452	324,635
Health and welfare	129,096	124,758
Urban planning and development	184,227	157,105
Recreation and culture	413,323	418,928
Financing expenses	416,936	400,947
	3,437,959	3,290,510
Other financial activities		
Repayment of long-term debt	398,696	400,497
Other transfers to investment activities	18,272	15,463
	416,968	415,960
Total operating expenditures and other financial activities	3,854,927	3,706,470
Surplus (deficiency) of financial activities before appropriations	(46,752)	66,527
Appropriations		
Restricted surplus	55,578	95,156
Financial reserves and reserved funds	(8,826)	(22,574)
	46,752	72,582
Surplus before long-term financing of financial activities		139,109
Long-term financing of financial activities		1,260
Surplus for the year		140,369

The notes and schedules are an integral part of the financial statements.

Statement of Investment Activities
Year ended December 31, 2006

(in thousands of dollars)

	Note	2006 Budget	2006 Actual
Sources of financing			
Specific revenues transferred to financial activities from third parties			
Developers' contributions		8,738	11,835
Conditional transfers		43,185	59,094
Other			84
		51,923	71,013
Other transfers from financial activities		18,272	15,463
Other sources			
Unrestricted surplus			123
Restricted surplus		6,043	13,081
Financial reserves and reserved funds		6,309	4,209
Issue of long-term loans		463,403	482,775
		545,950	586,664
Investment expenditures			
General administration		54,418	39,697
Public safety		21,606	23,920
Transportation		214,398	238,747
Environmental health		95,542	120,908
Health and welfare			2,139
Urban planning and development		70,415	50,907
Recreation and culture		89,571	78,998
	16	545,950	555,316
Investment activity surplus for the year			31,348

The notes and schedules are an integral part of the financial statements.

Statement of Surplus
Year ended December 31, 2006

SURPLUS			(in thousands of dollars)
	Transfer from	Transfer to	Balance
UNRESTRICTED			
LOCAL RESPONSABILITIES – Balance as at January 1, 2006			
Appropriation – Restricted surplus	20	21,153	(21,133)
Surplus for the year	57,394		57,394
LOCAL RESPONSABILITIES – Balance as at December 31, 2006	57,414	21,153	36,261
URBAN AGGLOMERATION RESPONSABILITIES – Balance as at January 1, 2006			7,505
Appropriation – Investment activities		123	(123)
Appropriation – Restricted surplus	169	33,113	(32,944)
Appropriation – Financial reserves and reserved funds			
Surplus for the year	82,975		82,975
URBAN AGGLOMERATION RESPONSABILITIES – Balance as at December 31, 2006	83,144	33,236	57,413
UNRESTRICTED – Balance as at December 31, 2006	140,558	54,389	93,674
RESTRICTED			
LOCAL RESPONSABILITIES – Balance as at January 1, 2006			150,193
Appropriation – Financial activities		16,356	(16,356)
Appropriation – Investment activities		13,218	(13,218)
Appropriation – Unrestricted surplus	21,153	20	21,133
Appropriation – Financial reserves and reserved funds	416		416
LOCAL RESPONSABILITIES – Balance as at December 31, 2006	21,569	29,594	142,168
URBAN AGGLOMERATION RESPONSABILITIES – Balance as at January 1, 2006			151,060
Appropriation – Financial activities		78,800	(78,800)
Appropriation – Investment activities		(137)	137
Appropriation – Unrestricted surplus	33,113	169	32,944
URBAN AGGLOMERATION RESPONSABILITIES – Balance as at December 31, 2006	33,113	78,832	105,341
RESTRICTED – Balance as at December 31, 2006	54,682	108,426	247,509
SURPLUS – Balance as at December 31, 2006	195,240	162,815	341,183

The notes and schedules are an integral part of the financial statements.

Statement of Financial Reserves and Reserved Funds

Year ended December 31, 2006

(in thousands of dollars)

	Balance as at	Financial activities		Investment activities		Balance as at
	01/01/2006	Transfer from	Transfer to	Transfer from	Transfer to	31/12/2006
FINANCIAL RESERVES						
Local responsabilities						
Water management		57,176	53,750			**3,426**
Urban agglomeration responsabilities						
Water management	18,236				825	**17,411**
Road management		19,576	2,769			**16,807**
	18,236	19,576	2,769		825	**34,218**
	18,236	76,752	56,519		825	**37,644**
RESERVED FUNDS						
Local responsabilities						
Parks and playing fields	9,856	2,177	66		3,323	**8,644**
Balance of closed loan by-laws	7,669			283	416	**7,536**
Parking areas	2,583	255				**2,838**
Working capital	2,431	24			61	**2,394**
Land reserve funds	1,754					**1,754**
Security issuance expenses	1,080		60			**1,020**
Other	332	20	9			**343**
	25,705	2,476	135	283	3,800	**24,529**
FINANCIAL RESERVES AND RESERVED FUNDS	43,941	79,228	56,654	283	4,625	**62,173**

The notes and schedules are an integral part of the financial statements.

Statement of Cost of Municipal Services
Year ended December 31, 2006

(in thousands of dollars)

	Operating expenditures	Financing expenses
Expenditures		
General administration	478,830	41,238
Public safety	765,816	38,855
Transportation	619,491	117,825
Environmental health	324,635	99,546
Health and welfare	124,758	10,660
Urban planning and development	157,105	41,928
Recreation and culture	418,928	50,895
Financing expenses	400,947	(400,947)
	3,290,510	

The notes and schedules are an integral part of the financial statements.

Statement of Cost of Municipal Services (continued)

Year ended December 31, 2006

Amortization					
Capital assets	Deferred subsidies (governments and their enterprises)	Operating subsidies (governments and their enterprises)	Services provided	Gain on disposals	Cost of municipal services
12,696	(1,506)	(8,391)	(13,851)		509,016
16,109	(290)	(2,735)	(25,296)		792,459
141,410	(12,806)	(26,296)	(33,184)		806,440
98,183	(32,919)	(52,043)	(7,765)		429,637
427	(71)	(67,541)	(719)		67,514
23,187	(838)	(42,171)	(66,149)		113,062
70,297	(8,916)	(8,953)	(31,192)		491,059
362,309	(57,346)	(208,130)	(178,156)		3,209,187

Statement of Net Investment in Long-Term Assets

Year ended December 31, 2006

(in thousands of dollars)

	2006
Balance, beginning of year	52,986
Add	
Acquisition of capital assets	551,711
Contributions to Sinking Fund	199,381
Amortization and write-off of deferred subsidies	57,432
Issue and adjustments of long-term receivables	19,058
Repayment of long-term debt net of refinancings	284,037
Other	
Surplus of investment activities for the year	31,348
Change in unrealized net foreign exchange gains	118
Accounts payable	105
Surplus of long-term unfunded financial activity expenditures for the year	2,341
	1,145,531
Deduct	
Disposal and write-off of capital assets	8,604
Disposal of assets held for sale	4,091
Disposal of Sinking Fund investments	80,593
Amortization of capital assets	362,309
Receipt and write-off of long-term receivables	77,869
Subsidies for capital assets acquisition	68,964
Issue of long-term debt	482,932
Other	
Loss on foreign exchange fluctuation	2,123
Closed loan by-laws and projects	283
	1,087,768
Balance, end of year	110,749

The notes and schedules are an integral part of the financial statements.

Statement of Changes in Financial Position
Year ended December 31, 2006

(in thousands of dollars)

	Notes	2006
Operating activities		
Surplus for the year		140,369
Financing and investment items charged to financial activities		
Contributions to Sinking Fund		199,381
Transfers to investment activities		86,476
Repayment of long-term debt		203,350
Receipt of long-term receivables		(76,988)
Subsidies for acquisition of capital assets		(59,094)
Disposal of capital assets and assets held for sale		(18,066)
Long-term financing of financial activities		(1,260)
		474,168
Items not affecting cash		
Appropriations		(72,582)
Amortization of transitional measures	15	5,971
Amortization of deferred charges		16,347
Change in deferred revenues		38,286
Long-term receivables and balance of purchase price receivable		5,119
Reduction in borrowing – Financial activity expenditures		3,444
Other		105
		470,858
Net change in other current items	17	(16,353)
		454,505
Investment activities		
Disposal of investments		84,603
Receipt of long-term receivables		89,564
Disposal of capital assets and assets held for sale		18,530
Acquisition of investments		(199,381)
Acquisition of capital assets		(551,711)
Issue of long-term receivables		(46,079)
Deferred charges		(4,357)
		(608,831)
Financial activities		
Proceeds from long-term debt issue		690,191
Subsidies for acquisition of capital assets		68,964
Repayment of long-term debt net of refinancings		(283,943)
Bond redemption by refinancing		(207,259)
		267,953
Net decrease in cash and cash equivalents		113,627
Cash and cash equivalents, beginning of year		425,875
Cash and cash equivalents, end of year		539,502

Cash and cash equivalents are made up of bank overdraft and short-term investments (maturity of less than 3 months as of date of acquisition) of Funds other than the Sinking Fund.

The notes and schedules are an integral part of the financial statements.

Notes and Schedules to the Financial Statements
December 31, 2006

1- GOVERNING STATUTE

The Ville de Montréal (the City) is a municipal corporation incorporated on January 1, 2002 under the *Charter of the City of Montréal* (R.S.Q., chapter C-11.4).

On January 1, 2006, following the results of the referendum held during 2004 under an *Act regarding public consultation on the territorial reorganization of certain municipalities* (S.Q. 2003, chapter 14), the former municipalities of Baie-d'Urfé, Beaconsfield, Côte-Saint-Luc, Dollard-des-Ormeaux, Dorval, Hampstead, Kirkland, L'Île-Dorval, Montréal-Est, Montréal-Ouest, Mont-Royal, Pointe-Claire, Sainte-Anne-de-Bellevue, Village de Senneville and Westmount were reconstituted, thus forming 19 residual boroughs of the Ville de Montréal, grouping together 87% of the entire population of the island of Montréal.

In compliance with the provisions of this Act, all the municipalities located on the island of Montréal remain however linked to one another and form an agglomeration consistent with the territory of the Ville de Montréal as prevailed as at December 31, 2005.

An *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), completed in 2005 and 2006 by the *Montréal Agglomeration Order (*Order-in-Council No. 1229-2005), and the orders that amended it therefafter, lists and defines the powers over the agglomeration. Under this act, the Ville de Montréal is formed as the central municipality in charge of exercising, in addition to its local powers, the powers over the agglomeration.

The agglomeration is headed by an urban agglomeration council, a political and decision-making body that assumes the decision-making, taxation and rate-setting powers for the agglomeration services. The agglomeration council is a central municipal legislative body, separate from the City's Council pursuant to Section 14 of the *Charter of the City of Montréal.* It is made up of representatives of each linked municipality; the number of representatives of each municipality is determined proportionately based on the relative size of their respective population.

2- BALANCE SHEET AS AT JANUARY 1, 2006

The reconstitution of the municipalities resulted in sharing, as at January 1, 2006, of assets, liabilities, and surplus between the residual City and each of the reconstituted municipalities. The principles and rules governing this sharing are stated in the *Act regarding public consultation on the territorial reorganization of certain municipalities*, in the orders that complete it and in the ministerial directives on sharing assets and liabilities and on the pension plans. The assets, liabilities and surplus of reconstituted municipalities were removed from the City's balance sheet as at January 1, 2006. This balance sheet was not subject to a separate auditors' report. Furthermore, because of the reconstitution of these municipalities, the statements of financial activities, investment activities, cost of municipal services, net investment in long-term assets and changes in financial position have not been presented on a comparative basis.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

The financial statements of the City have been prepared in accordance with generally accepted municipal accounting principles in Québec and with the specific principles described below.

Under an *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), the City, in addition to its local powers, exercises powers of agglomeration over the entire territory made up of linked municipalities. The powers on the municipal valuation, public transit, traffic lanes constituting the highway network, the water supply and water pollution control, disposal and reclamation of waste removal and recycling, municipal streams and lakes, police services, public security, fire protection and emergency preparedness, municipal court, social housing and assistance to the homeless and certain items of economic development constitute the primary agglomeration powers. The revenues and expenses associated with these local and agglomeration powers are included in the financial statements of the City. The distribution of financial and investment activities per type of power authority, is presented in additional tables 1 and 2.

The financial statements of the municipal organizations part of the financial reporting entity of the City are not combined or consolidated with those of the City. Additional information concerning these municipal organizations is provided in Note 21.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

The significant accounting policies and practices are the following:

a) Accounting method

Transactions are recorded in the City's books using the accrual basis of accounting. Under this method, revenues and expenditures are recognized in the year in which the events and transactions occur.

Transactions involving the following items existing prior to January 1, 2001 are recorded in the Statement of Financial Activities using the cash basis of accounting: interest income from Sinking Fund investments, including their reinvestment, and from long-term receivables, and interest expense on long-term debt, including any refinancing until the debt is extinguished. The offsetting entry to accrued interest receivable and payable related to these items existing prior to January 1, 2001 is presented under "Amount to be provided – Other."

Pension plan costs and obligations and other employee future benefits are accounted for using the methods described in Note 3 o).

b) Use of estimates

The preparation of the financial statements, in accordance with generally accepted municipal accounting principles in Québec and specific principles described, requires municipal management to make assumptions and estimates that affect reported amounts of revenues, expenses, assets, liabilities, commitments and contingencies. Actual results could differ from those estimates.

c) Investments and loans

Temporary investments, which consist of term deposits and other securities, are recorded at the lower of cost and fair value.

Long-term investments are recorded at cost and are written down when there is a permanent decline in their value. The discount or premium on investments is amortized on a straight-line basis to maturity. The amounts accumulated in "Investments – Sinking Fund" are restricted to the repayment of long-term loans that do not require annual repayment.

Loans are recorded at the lower of cost and net recoverable value.

d) Inventories

Inventories are valued at cost determined under the average cost method. Obsolete inventory is written off.

e) Assets held for sale

Assets held for sale are recorded at cost.

f) Deferred charges

The expense of issuing loans is amortized over the duration of the loans. Election expenses are amortized over a 4-year period.

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

g) Capital assets

Capital assets, recorded at cost, are amortized over their estimated useful lives as of the year following their respective commissioning dates. Capital assets are amortized on a straight-line basis over the following periods:

Infrastructures	15 to 40 years
Buildings	25 to 40 years
Leasehold improvements	10 to 15 years
Vehicles	5 to 20 years
Office furniture and equipment	5 to 10 years
Machinery, tools and equipment	5 to 25 years
Other	20 to 25 years

Amortization is recorded in the Statement of Cost of Municipal Services.

h) Provision for contested valuations

The provision for contested valuations is an estimate of blended repayments, which may result from court decisions related to contested real estate valuations or rental values and to contested classifications under the *Act respecting Municipal Taxation*.

i) Deferred revenues

Proceeds on disposal of capital assets and assets held for sale are shown as deferred revenues up to the balance of the entire debt related to the loan by-law; proceeds of disposal exceeding the balance of debt are recorded in the Statement of Financial Activities. These deferred revenues are amortized on a straight-line basis over the remaining term of the loan by-law. Premiums upon issuance of securities are amortized over the terms of the loans and deferred revenues from the sale of a franchise are amortized on a straight-line basis over the term of the agreement. Unrealized exchange gains are amortized using the method described in Note 3 s).

j) Deferred subsidies

Subsidies related to the acquisition of capital assets are shown in the balance sheet as "Deferred subsidies" and are amortized on the same basis as the capital assets to which they relate. The amortization is recorded in the Statement of Cost of Municipal Services.

k) Restricted surplus

The restricted surplus corresponds to the portion of the surplus whose use is reserved by the *Act to reform the municipal territorial organization of the metropolitan regions of Montréal, Québec and Outaouais* (2000, chapter 56) or by resolutions adopted by the City Council, the Montréal Urban Agglomeration Council and the borough committees.

l) Financial reserves and reserved funds

Certain amounts received by the City must be recorded in special accounts and used for specific purposes, particularly for the development and maintenance of parks and playing fields, parking areas and for the delivery of water and road services.

m) Amount to be provided - Other

Interest is recorded using the method described in 3 a). The employee benefits of certain employees as at January 1, 2000, are amortized over a period that does not exceed the employees' estimated remaining service life. The amortization is recorded in the Statement of Financial Activities.

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

n) Subsidies

Revenues from subsidies are recognized in the Statement of Financial Activities at the time the operating expenditures and other financial activities related to the subsidies are recorded, on the condition the City satisfies eligibility criteria.

o) Costs and obligations resulting from pension plans and other employee future benefits

The City provides its employees with various pension plans and other employee future benefits. Under these plans, pension benefits are paid to the employees and certain other retirement benefits, related to life insurance and insurance covering the reimbursement of medical and dental expenses, are granted.

Certain post-employment benefits are also provided to employees. These benefits include, in particular, income replacement benefits, supplemental unemployment benefits, maintenance of coverage during periods of temporary absence and certain termination allowances.

- **Defined benefit pension plans and other employee future benefits**

  The obligation related to the defined benefit pension plans and other employee future benefits, net of assets, is presented in the balance sheet. The obligation is determined through actuarial valuations that include the municipal administration's best estimate assumptions, related to, among other things, the discount rates, the expected rate of return on plan assets and the rate of compensation increase and cost of healthcare plans. The plans' assets are valued using a market-related value, determined over a period not exceeding five years. The offsetting entry to the net obligation is included in the balance sheet in "Amount to be provided." The actuarial valuations of the pension obligations are determined at least once every three years using the projected benefit method prorated on service, taking into account projected salaries. The pension plan expense comprises the current service contribution and the contribution for special payment and for the other recorded deficits. The expense for other employee future benefits, namely other retirement benefits, post-employment benefits, paid leave and termination benefits, is recorded using the cash accounting method.

- **Defined contribution pension plans**

  Some employees are members of defined contribution plans, under which the City's contribution represents a percentage of pay. The expense for the year comprises the current service contribution and the contribution related to the amortization of plan amendments.

- **Elected officials' pension plan**

  Elected officials participate in a defined benefit pension plan administered by the Commission administrative des régimes de retraite et d'assurances du Québec. The expense for the year corresponds to the current service contribution.

p) Closure and post-closure costs for sanitary landfills

For an estimated period of 20 years, the City will assume closure and post-closure costs for sanitary landfills that it has operated. These accrued costs equal the present value of the expenses related to the final recovery of the site, as well as the control and maintenance of the collecting and processing systems of biogas and leachates. These estimated costs are recognized based on the landfill capacity already used.

Assumptions regarding the calculation of these costs are periodically reviewed to take into account the progress made in the management of sanitary landfills.

q) Environmental obligations

The City records an environmental liability when it is likely that corrective measures will be applied and the costs of these measures can be reasonably estimated.

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

r) Repayment of long-term debt

This item represents the repayment of loans and payments to the Sinking Fund related to contracted loans.

s) Foreign currency translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars using the rates prevailing on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing on the balance sheet date.

The repayment of loans and payments to the Sinking Fund relating to loans denominated in foreign currencies that are not subject to hedging of currency exposure, are translated using the exchange rates prevailing at the transaction dates. For these loans, gains and losses resulting from the difference between the historical foreign exchange rate and the foreign exchange rate in effect at the date of repayment or payment are recorded in the Statement of Financial Activities.

The foreign exchange gain or loss related to a long-term monetary item denominated in a foreign currency but not subject to hedging of currency exposure is recognized on the balance sheet as a deferred item and charged to the Statement of Financial Activities using the straight-line method. For loans contracted as of December 31, 1992, amortization is calculated over the remaining term of the loans and those contracted prior to this date are amortized over the remaining life of the loan by-laws.

t) Derivative financial instruments

The City uses derivative financial instruments to reduce its currency and interest rate risk exposure on long-term debt. The City does not use financial instruments for trading or speculation purposes.

The City uses currency swaps to manage risk associated with loans denominated in foreign currencies. These currency swaps are converted at the exchange rate prevailing at the balance sheet date. Those that represent financial assets are deducted from long-term debt, and those that represent financial liabilities are added to long-term debt. Gains and losses from derivatives are recognized in the same period as exchange gains and losses related to the corresponding debt and are charged against the latter.

Furthermore, the City uses interest rate swaps to manage interest rate risk related to its debt. These contracts result in interest exchanges that are recorded as an adjustment of financing expenses. The amount payable to counterparties or receivable from counterparties is recorded as an adjustment of accrued interest on the corresponding debt.

u) Presentation of operating expenditures

General administration comprises all activities related to municipal administration and management. Expenditures are primarily related to the operations of the City Council, the application of the law, and financial, administrative and human resources management.

Public safety comprises activities related to the protection of people and property. It includes all expenditures related to control, prevention and emergency measures as regards civil security.

Transportation comprises all activities related to the planning, organization and maintenance of road systems and to the transport of people and goods.

Environmental health encompasses expenditures related to aqueduct and sewer systems, waste management and protection of the environment.

Health and welfare comprises all public health and welfare services.

Urban planning and development comprises all activities related to urban development or the planning program and expenditures to develop the City's economic development programs.

Recreation and culture encompasses all activities connected with planning, organizing and managing recreational and cultural programs.

Financing expenses encompass interest and other financing costs for municipal activities.

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

v) Budget data

Budget data include the forecasts approved in January 2006 by the City Council and the Montréal Urban Agglomeration Council.

w) New accounting policies

Effective in 2007, the City will be presenting its financial statements in compliance with the accounting standards issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. These standards will specifically require that the financial statements of organizations part of the financial reporting entity be consolidated to the City's financial statements, and that pension plan costs and obligations and other employee future benefits be accounted for using the accrual basis of accounting. The City is currently evaluating the impact of applying these new accounting policies to its financial statements.

4- CASH AND INVESTMENTS
(in thousands of dollars)

	December 31, 2006			January 1, 2006
	Sinking Fund	Other	Total	Total
Bank overdraft		(32,729)	(32,729)	(43,440)
Investments				
Term deposits and other securities	34,729	572,231	606,960	497,247
Bonds and debentures	1,128,459	21,126	1,149,585	1,041,604
	1,163,188	560,628	1,723,816	1,495,411
Less: current portion	120,350	546,003	666,353	481,997
	1,042,838	14,625	1,057,463	1,013,414

As at January 1, 2006, Sinking Fund investments and other investments totalled $1,044.4 million and $494.4 million, respectively.

The fair value of investments amounts to $1,796.2 million ($1,585 million as at January 1, 2006).

Bonds and debentures held by the City are essentially comprised of securities issued by governments and their bodies, by municipalities, school boards, CEGEPs, CLSCs and hospitals. They specifically include City bonds totalling $162.6 million ($133.2 million as at January 1, 2006).

Substantially all of the investments are denominated in Canadian dollars as at December 31, 2006 and as at January 1, 2006.

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

4- CASH AND INVESTMENTS (continued)
(in thousands of dollars)

The investments held by the City mature as follows:

	Term deposits and other securities	Bonds and debentures	Total	Weighted nominal interest rate
December 31, 2006				
2007	606,960	95,520	702,480	4.57 %
2008		140,703	140,703	7.87 %
2009		112,491	112,491	8.42 %
2010		161,949	161,949	6.07 %
2011		252,509	252,509	5.62 %
2012 to 2024		386,413	386,413	5.86 %
	606,960	1,149,585	1,756,545	
January 1, 2006				
2006	497,247	28,191	525,438	3.47 %
2007		96,076	96,076	6.16 %
2008		143,596	143,596	7.90 %
2009		115,079	115,079	8.42 %
2010		146,786	146,786	6.34 %
2011 to 2024		511,876	511,876	6.01 %
	497,247	1,041,604	1,538,851	

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

5- ACCOUNTS RECEIVABLE
(in thousands of dollars)

	December 31, 2006	January 1, 2006
Taxes	85,943	105,149
Government of Canada and its enterprises	75,312	76,760
Government of Québec and its enterprises	57,183	71,060
Municipal organizations	9,258	17,623
Services provided and other	192,573	164,199
	420,269	434,791

An allowance for doubtful accounts of $95 million ($102.6 million as at January 1, 2006) has been deducted from accounts receivable.

6- DEFERRED CHARGES AND OTHER ASSETS
(in thousands of dollars)

	December 31, 2006	January 1, 2006
Issue costs	29,138	28,549
Election expenses	5,780	9,810
Other assets	10,187	18,736
	45,105	57,095

7- LONG-TERM RECEIVABLES
(in thousands of dollars)

	December 31, 2006	January 1, 2006
Amounts recoverable from third parties for repayment of long-term debt and other long-term items		
Government of Québec and its enterprises	1,311,031	1,367,256
Other third parties	67	67
Other receivables		
Government of Québec and its enterprises (1)	75,543	61,097
Loans – Office municipal d'habitation de Montréal (2)	7,770	7,770
Other	5,019	6,794
	1,399,430	1,442,984
Less: current portion	83,102	81,433
	1,316,328	1,361,551

(1) Receivables, bearing interest at rates varying from 2.73% to 4.98%, extendible through 2020.

(2) Non-interest-bearing loans, receivable through 2033.

The fair value of long-term receivables amounts to $1,537.2 million ($1,609.6 million as at January 1, 2006).

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

7- LONG-TERM RECEIVABLES (continued)
(in thousands of dollars)

The receipts recoverable from the Government of Québec and its enterprises for the repayment of long-term debt, for which the terms are determined as at December 31, 2006, are as follows:

	Receipts	Weighted nominal interest rate	Refinancing
December 31, 2006			
2007	74,734	5.63%	31,681
2008	69,421	5.77%	87,450
2009	64,795	5.67%	19,349
2010	63,178	5.76%	36,190
2011	63,280	5.66%	49,460
2012 to 2027	464,915	6.44%	220,126
	800,323		444,256
January 1, 2006			
2006	75,117	5.65%	97,857
2007	65,462	5.67%	31,709
2008	60,594	5.52%	87,475
2009	55,912	5.73%	19,355
2010	54,242	5.82%	36,197
2011 to 2027	435,303	6.64%	248,017
	746,630		520,610

8- CAPITAL ASSETS
(in thousands of dollars)

Classes	December 31, 2006			January 1, 2006
	Cost	Accumulated Amortization	Net book value	Net book value
Infrastructures	7,892,085	3,312,888	4,579,197	4,400,995
Buildings	1,511,063	766,015	745,048	750,165
Leasehold improvements	53,592	20,845	32,747	20,399
Vehicles	338,258	210,821	127,437	129,838
Office furniture and equipment	214,446	91,923	122,523	123,780
Machinery, tools and equipment	52,064	25,121	26,943	25,279
Other	26,890	20,501	6,389	9,030
	10,088,398	4,448,114	5,640,284	5,459,486
Deferred subsidies	1,949,618	725,865	1,223,753	1,212,221

As at January 1, 2006, the cost of capital assets and accumulated amortization amounted to $9,717.5 million and $4,258 million, respectively, while deferred subsidies and the related accumulated amortization amounted to $1,892.2 million and $680 million.

9- LINES OF CREDIT

The City has lines of credit with various banking institutions totalling up to $85 million. Under these facilities, the amounts can be drawn in Canadian or US dollars at floating rates based on the prime rates of the banking institutions. These lines of credit are not secured and are renewable annually. As at December 31, 2006, the lines of credit remain undrawn.

10- ACCOUNTS PAYABLE, PROVISIONS AND ACCRUED LIABILITIES
(in thousands of dollars)

	December 31, 2006	January 1, 2006
Suppliers	224,551	254,258
Salaries, deductions at source and employee benefits	386,435	341,193
Accrued interest payable on long-term debt	80,703	79,923
Provisions		
Contested valuations	83,307	91,828
Closure and post-closure costs for sanitary landfills	32,301	30,578
Organizations part of the financial reporting entity	18,953	6,311
Other	73,755	76,868
Deposits and holdbacks	36,416	36,046
Government of Québec and its enterprises	22,733	34,518
Government of Canada and its enterprises	2,517	9,779
Municipal organizations	21,206	54,967
Other	14,319	14,754
	997,196	1,031,023

11- DEFERRED REVENUES
(in thousands of dollars)

	December 31, 2006	January 1, 2006
Disposal of capital assets and assets held for sale	40,106	29,250
Premium upon issuance of securities	44,427	45,661
Sale of a franchise	36,000	38,000
Subsidies	31,051	1,410
Pension plan	7,641	8,277
Unrealized net foreign exchange gains	7,745	7,863
Miscellaneous	13,755	12,095
	180,725	142,556

12- LONG-TERM DEBT
(in thousands of dollars)

	December 31, 2006	January 1, 2006
Bonds and notes		
In Canadian currency (1)	6,303,116	6,102,703
In foreign currencies	232,765	230,641
Other long-term debt		
Obligations under capital leases	3,604	3,879
Government of Québec and its enterprises		215
Other	11,175	11,458
Debt in refinancing	65	
	6,550,725	6,348,896
Current portion	416,634	284,176
	6,134,091	6,064,720

(1) Includes long-term debt related to the repayment of the net obligation of pension plans that totals $1,468 million ($1,477.4 million as at January 1, 2006).

Recovery of long-term debt for purposes of repayment is as follows:

	December 31, 2006	January 1, 2006
Chargeable to taxpayers		
Of the central municipality	2,843,877	2,813,358
Of the agglomeration	1,052,381	993,594
Amounts accumulated for repayment	1,203,294	1,073,650
Recoverable from third parties		
Government of Québec and its enterprises	1,244,579	1,267,240
Third parties	67	67
Through user fees	206,527	200,987
	6,550,725	6,348,896

The City uses currency and interest-rate swap agreements for loans totalling $742.6 million ($875.1 million as at January 1, 2006). The financial liabilities associated with these swaps, which amount to $126 million ($167.9 million as at January 1, 2006), are included in the long-term debt amount.

Considering the existence of these swaps, substantially all of the loans contracted by the City bear interest at a fixed rate. As at December 31, 2006, unhedged foreign exchange loans amounted to $232.8 million ($230.6 million as at January 1, 2006) and the foreign exchange loss on these loans amounted to $41.3 million ($35.8 million as at January 1, 2006). In this regard, a provision of $58.2 million ($53.6 million as at January 1, 2006) is recorded in the Sinking Fund.

During the year, the City paid $197.1 million to the Sinking Fund and $203.4 million to pay down the debt.

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

12- LONG-TERM DEBT (continued)
(in thousands of dollars)

Estimated payments on long-term debt are as follows:

Years of maturity	December 31, 2006					January 1, 2006		
	Canadian dollars (1)	Foreign currencies	Maturity	Refinancing	Maturity net	Maturity	Refinancing	Maturity net
2006						491,314	207,138	284,176
2007	490,871	26,915	517,786	101,152	416,634	497,829	101,337	396,492
2008	612,075		612,075	195,844	416,231	592,314	195,844	396,470
2009	342,846	38,020	380,866	83,282	297,584	360,657	83,290	277,367
2010	578,963		578,963	114,545	464,418	560,759	114,545	446,214
2011	521,211	81,578	602,789	159,366	443,423			
1 to 5 years	2,545,966	146,513	2,692,479	654,189	2,038,290	2,502,873	702,154	1,800,719
6 to 10 years	1,507,500	85,401	1,592,901	689,773	903,128	1,957,459	793,014	1,164,445
11 to 15 years	166,325		166,325	14,133	152,192	171,491	14,133	157,358
16 to 20 years	927,262		927,262	16,505	910,757	543,982	8,333	535,649
21 to 25 years						1,496		1,496
2043	1,051,668		1,051,668		1,051,668	1,051,668		1,051,668
2045	119,174		119,174		119,174	119,174		119,174
Perpetuity		851	851		851	753		753
Debt in refinancing	65		65	65				
TOTAL	6,317,960	232,765	6,550,725	1,374,665	5,176,060	6,348,896	1,517,634	4,831,262

(1) Including loans contracted in foreign currencies that are subject to hedging.

Summary of the debt:

	December 31, 2006			January 1, 2006		
	Foreign currencies	Canadian dollars	%	Foreign currencies	Canadian dollars	%
Canadian dollars (1)		6,317,895	96.45		6,118,255	96.37
U.S. dollars	137,624	160,387	2.45	138,374	161,330	2.55
Swiss Francs	46,700	44,612	0.68	46,700	41,372	0.65
Japonese Yen	2,750,000	26,915	0.41	2,750,000	27,186	0.42
Pounds Sterling	362	851	0.01	362	753	0.01
Debt in refinancing		65	0.00			
		6,550,725	100.00		6,348,896	100.00

(1) Including loans contracted in foreign currencies that are subject to hedging.

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

12- LONG-TERM DEBT (continued)
(in thousands of dollars)

Interest rate

The interest rates presented in the table include the nominal interest rate and the impact of interest rate swaps.

Years of maturity	December 31, 2006 Canadian dollars	Foreign currencies	Weighted average	January 1, 2006 Weighted average
1 to 5 years	5,94 %	4,12 %	5,88 %	6,06 %
6 to 10 years	5,71 %	3,14 %	5,69 %	5,81 %
11 to 15 years	5,88 %	3,00 %	5,88 %	6,10 %
16 to 20 years	5,71 %	3,00 %	5,40 %	5,89 %
21 to 25 years	6,00 %	3,00 %	6,00 %	6,00 %
2043	6,00 %	3,00 %	6,00 %	6,00 %
2045	4,24 %	3,00 %	4,23 %	4,23 %
Perpetuity		3,00 %	3,00 %	3,00 %
Weighted average	5,85 %	3,25 %	5,77 %	5,97 %

Fair value

The fair value of debt amounts to $7,114.1 million ($6,977.4 million as at January 1, 2006). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of $178.8 million ($230.2 million as at January 1, 2006).

13- PENSION PLANS AND OTHER EMPLOYEE FUTURE BENEFITS

Net obligation

The following table shows the net obligation for the defined benefit pension plans and other employee future benefits provided to City employees:

(in thousands of dollars)

	December 31, 2006	January 1, 2006
Pension plans		
Actuarial value of accrued benefits	9,116,321	8,879,380
Actuarial value of assets	9,586,400	8,887,483
Obligation (asset)	(470,079)	(8,103)
Valuation allowance	497,477	515,190
Net obligation – Pension plans	27,398	507,087
Other employee future benefits		
Actuarial value of accrued benefits	106,234	107,185
Net obligation – Pension plans and other employee future benefits	133,632	614,272

13- PENSION PLANS AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

The actuarial value of accrued benefits for some pension plans exceeds the actuarial value of the plan assets. As at December 31, 2006, the total obligation for these plans amounts to $333.7 million ($552.4 million as at January 1, 2006). The fair value of the plan assets is $2,253.9 million ($4,774.3 million as at January 1, 2006).

Similarly, the actuarial value of the assets of other pension plans exceeds the actuarial value of accrued pension benefits by a total of $803.8 million ($560.5 million as at January 1, 2006). Pursuant to agreements reached to date between the municipal administration and the pension plan members in respect of surplus sharing, the employer's portion has been set at $306.3 million ($45.3 million as at January 1, 2006). A valuation allowance of $497.5 million ($515.2 million as at January 1, 2006) has been recorded to reflect the existence of projected surpluses belonging to members or to be shared according to terms and various conditions that have yet to be negotiated. The fair value of the assets of these plans totals $7,908.4 million ($4,592.4 million as at January 1, 2006).

In 2006, the net average return on invested amounts was estimated at 13.17%. This return owes to the various investment policies adopted by the pension plan commissions and to growth in financial markets. The net returns vary from 8.28% to 18.98%.

Actuarial assumptions

The main assumptions used to calculate the net obligation and in the actuarial valuations completed over the period from December 31, 2003 to December 31, 2005, are shown in the following table:

	Pension plans	Other employee future benefits
Weighted discount rates	6.83%	5%
Expected rate of return on plan assets	6.83%	
Salary escalation rate	3.76%	4%

In 2006, the discount rates vary from 5% to 7% and the expected rates of return on plan assets vary from 4.5% to 7%. In 2006, the rates of compensation increase vary from 2% to 5.5%.

The health-care plan growth rates vary according to the type of care. For dental care, hospitalization fees, and other medical costs, the annual growth rate is 4%. For drugs, the annual growth rate is set at 12% in 2006 and will gradually decrease to 5% in 2015.

Expenditure for the year

The total expenditure for the year amounts to $170.2 million and is allocated to the different types of plans as follows:

(in thousands of dollars)	2006
Defined benefit pension plans	168,115
Other pension plans	2,049
	170,164

To honour its pension plan obligations, the City has committed to make special payments that will be due through December 31, 2045. The present value of these payments is $623.1 million as at December 31 2006. Annual payments for the next five years are as follows: $63 million in 2007, $63.5 million in 2008, $63.9 million in 2009, $63.8 million in 2010 and $63.4 million in 2011.

During the year, the contributions paid by the members and the benefits paid out by the pension plans totalled $63.4 million and $555.7 million, respectively.

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

14- NET INVESTMENT IN LONG-TERM ASSETS
(in thousands of dollars)

	December 31, 2006	January 1, 2006
ASSETS		
Investments – Sinking Fund	1,163,188	1,044,400
Assets held for sale	149,203	153,294
Long-term receivables	1,323,887	1,381,887
Capital assets	5,640,284	5,459,486
	8,276,562	8,039,067
LIABILITIES AND TAXPAYERS' EQUITY		
Accounts payable	(2,157)	(2,262)
Deferred revenues – Unrealized net foreign exchange gains	(7,745)	(7,863)
Deferred subsidies	(1,223,753)	(1,212,221)
Long-term debt	(6,550,725)	(6,348,896)
Investment expenditures to be funded on a long-term basis	(285,807)	(316,872)
Financial activity expenditures to be funded on a long-term basis	(95,626)	(97,967)
	(8,165,813)	(7,986,081)
	110,749	52,986

15- AMOUNT TO BE PROVIDED - OTHER
(in thousands of dollars)

	Balance as at January 1, 2006	Financial activities	Changes	Balance as at December 31, 2006
Revenues				
Interest				
Investments - Sinking Fund	12,357		714	13,071
Long-term receivables	22,249		(718)	21,531
	34,606		(4)	34,602
Expenditures				
Employee benefits	(43,397)	5,971		(37,426)
Interest - Long-term debt	(63,712)		1,698	(62,014)
	(107,109)	5,971	1,698	(99,440)
	(72,503)	5,971	1,694	(64,838)

16- INVESTMENT EXPENDITURES
(in thousands of dollars)

	2006			
	Capital assets	Assets held for sale	Long-term receivables	Total
General administration	39,697			39,697
Public safety	23,920			23,920
Transportation	238,949		(202)	238,747
Environmental health	118,457	(1,871)	4,322	120,908
Health and welfare	807	1,383	(51)	2,139
Urban planning and development	50,883	24		50,907
Recreation and culture	78,998			78,998
	551,711	(464)	4,069	555,316

17- NET CHANGE IN OTHER CURRENT ITEMS
(in thousands of dollars)

	2006
Accounts receivable (1)	14,518
Inventories	1,258
Accounts payable, provisions and accrued liabilities (1)	(32,129)
	(16,353)

(1) These amounts exclude changes in accrued interest receivable on Sinking Fund investments and long-term receivables as well as changes in accrued interest payable on the long-term debt reflected in "Amount to be provided – Other."

18- FINANCIAL INSTRUMENTS

Use of derivative instruments

The City uses derivative financial instruments to reduce its currency and interest rate risk exposure on debt. It does not use derivative financial instruments for trading or speculative purposes.

Exchange and interest positions

As at December 31, 2006, considering the use of currency and interest-rate swaps, substantially all of the City's loans are denominated in Canadian dollars and bear interest at a fixed rate.

Credit risk

As part of the use of derivative financial instruments, the City is subject to credit losses as a result of default of payment by third parties. The City considers that these parties will be in a position to meet their obligations since it only deals with recognized institutions whose credit ratings are higher than its own.

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

18- FINANCIAL INSTRUMENTS (continued)

Fair value

The fair value of cash, accounts receivable and payable, provisions and accrued liabilities approximates their carrying values due to the upcoming maturity of these financial instruments.

The following table demonstrates the fair value and carrying value of other financial instruments:

(in thousands of dollars)	December 31, 2006		January 1, 2006	
	Fair value	Carrying value	Fair value	Carrying value
Investments	1,796,166	1,756,545	1,585,048	1,538,851
Long-term receivables	1,537,188	1,399,430	1,609,627	1,442,984
Long-term debt	7,114,113	6,550,725	6,977,400	6,348,896

The fair value of investments is the amount at which they could be exchanged on the market between parties at arm's length. The fair value of long-term receivables and long-term debt is estimated based on discounted cash flows using return rates or the prevailing year-end market price of similar instruments with the same maturity. The fair value of swaps reflects the amount the City would receive or pay if these contracts closed at that date. As at December 31, 2006, the fair value and carrying value of financial liabilities associated with swaps total $178.8 million and $126 million ($230.2 million and $167.9 million as at January 1, 2006) are included in the long-term debt amounts.

19- COMMITMENTS AND CONTINGENT LIABILITIES

a) Contractual obligations

The commitments of the City under contractual obligations amount to $686.8 million. The instalments for the coming years are as follows:

2007	2008	2009	2010	2011	2012-2067	Total
$196.2 million	$141.3 million	$82.5 million	$63.2 million	$49.6 million	$154.0 million	$686.8 million

These contractual obligations primarily include property leases, leasing of machinery and various equipment, snow removal services and solid waste removal. Commitments with respect to investment expenses have not been evaluated.

b) Metered parking

In 1995, the City awarded a part of its exclusive metered parking operations (in lots and on the streets) to a private organization under an agreement ending December 31, 2024 and renewable for a minimum additional period of ten years. When the agreement expires, the City is required to repurchase the capital assets used for metered parking at their fair market value from this organization. However, over the term of the agreement, the City will benefit from a purchase option on the parking lots that corresponds to the purchase price paid by the organization. As at December 31, 2006, the net book value of these assets, including the acquisition cost of parking lots of $6.8 million, was estimated at $14.7 million. In addition, the City has endorsed a loan with a balance of $24 million.

c) Claims and insurance

Claims pending against the City amount to $2,225 million. One such claim, in particular, could amount to $1,600 million and regards the existence of flowering ragweed on City land. In the opinion of the City's legal counsel, the settlement of these claims will not materially impact the City's financial situation.

The City will also defend the Société du parc Jean-Drapeau against any legal action resulting from the performance of its mandate.

The City has not contracted any risk insurance. However, according to its Charter, the City must forecast, in its budget, an amount of at least 1% of its expenditures to cover expenditures not forecasted in the budget, the settling of claims and payment of judgments.

19- COMMITMENTS AND CONTINGENT LIABILITIES

d) Environment

The City, as an owner of contaminated land, may be required to perform certain acts to conform to an Act to amend the *Environment Quality Act* (2002, chapter 11). The City may have to characterize and, if necessary, rehabilitate a parcel of land after it has been used or when its use has been changed. The City is currently unable to determine the cost or method of financing of any measures.

e) Indirect debt

As at December 31, 2006, the City's responsibility with respect to the debt of the following organizations amounts to:

(in thousands of dollars)	
Anjou 80	3,426
Société de développement de Montréal	91,772
Société d'habitation et de développement de Montréal	127,853
Société de transport de Montréal (1)	391,362
	614,413 (2)

(1) The City is the guarantor for the debt of the Société de transport de Montréal, which will not be reimbursed by the Government of Québec or by the Agence métropolitaine de transport.

(2) Of this debt, the City has unconditionally guaranteed the repayment of loans contracted by corporations, for which the outstanding balance is $126.5 million as at December 31, 2006. The City is also responsible for temporary and mortgage loans of these corporations which, as at December 31, 2006, totalled $280 million.

f) Ownership of the Olympic installations

An *Act respecting the Régie des installations olympiques* stipulates that ownership of the Olympic installations to be reverted to the City as soon as the long-term debt has been repaid. This reimbursement was completed in 2006; however, no legal transfer was carried out as at December 31, 2006. Also, the City refuses to accept such a transfer. Municipal management is not currently in a position to foresee the outcome of this file.

20- COMMUNAUTÉ MÉTROPOLITAINE DE MONTRÉAL (CMM)

The City is part of the CMM, a regulatory, planning, coordination and financing agency in exercising its jurisdictions under an *Act respecting the Montréal Metropolitan Community* (2000, chapter 34) in areas related to land-use management, economic development, artistic or cultural development, public housing, metropolitan-area equipment, infrastructures, services and activities, public transit and metropolitan highway network, planning the residual materials management, air and water pollution control.

During the year, the City's financial contribution to the CMM totalled $27.6 million. The CMM, for its part, paid the City $49.9 million with respect to the operating expenses for certain metropolitan infrastructures borne by the City and for the public housing program.

21- INFORMATION ON CORPORATIONS INCLUDED IN THE FINANCIAL REPORTING ENTITY

The activities of each of the corporations included in the financial reporting entity are as follows:

Anjou 80

To acquire, restore, build, demolish, rent and manage buildings for housing, leisure and recreational purposes and other ancillary uses.

Conseil des arts de Montréal (CDA)

To harmonize, coordinate and promote artistic or cultural initiatives on the island of Montréal. It also designates the agencies, individuals as well as the artistic or cultural events that benefit from grants, by setting an amount and recommending the payment.

Conseil interculturel de Montréal (CIM)

To advise the municipal council and executive committee on municipal services and practices to be implemented in order to favour the integration and participation of cultural communities in the City's political, economic, social and cultural life and all other topics of interest to cultural communities.

Office de consultation publique de Montréal (OCPM)

To propose rules for administrating public consultations made by any of the City's acts to ensure the implementation of consultation methods that are credible, seamless and effective and to proceed with public consultations.

Société de développement de Montréal (SDM)

To acquire, renovate, restore, build, demolish, sell, rent or manage residential, commercial or cultural buildings in the territory of the City and, at the City's request, administer subsidy programs related to these buildings. The corporations may also save, restore, renovate or rehabilitate buildings of historical or architectural interest and implement any agreements between the Government of Québec and the City regarding the development of the historical district of Old Montréal.

Société de gestion NauBerges de Lachine

Develop the recreational potential of the shores of Lac Saint-Louis.

Société d'habitation et de développement de Montréal (SHDM)

To acquire, renovate, restore, build, demolish, sell, rent or manage buildings in the territory of the City.

Société de transport de Montréal (STM)

Promote and organize the public transport of people travelling on the island of Montréal.

Société du parc Jean-Drapeau (SPJD)

To operate, manage and develop Parc Jean-Drapeau, which is comprised of Île Sainte-Hélène and Île Notre-Dame in Montréal, and to operate recreational, cultural and tourist activities.

Notes and Schedules to the Financial Statements (continued)
December 31, 2006

21- INFORMATION ON CORPORATIONS INCLUDED IN THE FINANCIAL REPORTING ENTITY (continued)

a) Net equity and results
(in thousands of dollars)

	SDM	SHDM	STM	Other	Total December 31, 2006	Total January 1, 2006
Total assets	143,128	153,235	1,867,321	10,156	2,173,840	2,068,442
Total liabilities	137,549	141,570	1,544,249	6,445	1,829,813	1,687,640
Net assets	5,579	11,665	323,072	3,711	344,027	380,802
Revenues	27,817	32,878	867,801	30,120	958,616	
Expenditures	(27,247)	(34,720)	(773,800)	(29,372)	(865,139)	
Other financial activities			(121,687)		(121,687)	
Appropriations			14,080	163	14,243	
Surplus (deficiency)	570	(1,842)	(13,606)	911	(13,967)	

This financial data is not combined or consolidated in the City's financial statements.

The cost of the STM bonds held by the City as investments totals $12.5 million ($10 million as at January 1, 2006).

b) Contributions and subsidies
(in thousands of dollars)

	2006
CDA	10,200
CIM	175
OCPM	1,089
SDM	1,505
SHDM	2,189
STM	290,642
SPJD	11,818
	317,618

c) Commitments

Leases and diesel supply

Under property leases, the STM is committed to making payments for a total amount of $86 million spread out through 2023. The amounts to be paid over the next five years are as follows: $6.4 million in 2007, $6.3 million in 2008, 2009, and 2010 and $6.1 million in 2011.

The STM has entered into agreements for the supply of diesel at a fixed price. As at December 31, 2006, the amount of the commitment totals $42.9 million.

Acquisition contracts for buses and selling/collections equipment and systems

Under a contract ending in 2007, the STM expects to acquire city buses of which the estimated cost is $31.4 million. It also expects to renew its selling/collections centralized system and equipment. The costs associated to this renewal amount to $119.3 million and will be spread out through 2013.

Notes and Schedules to Financial Statements (continued)
Year ended December 31, 2006

SCHEDULE 1 – STATEMENT OF FINANCIAL ACTIVITIES BY RESPONSABILITY

	Local responsabilities	
	Budget	Actual
Revenues		
Taxes	982,522	992,524
Payments in lieu of taxes	93,661	95,507
Other revenues from local sources	514,225	516,814
Transfers	367,141	376,349
	1,957,549	1,981,194
Specific revenues transferred to investment activities	(25,693)	(51,323)
	1,931,856	1,929,871
Operating expenditures		
General administration	361,529	324,839
Public safety	17,770	15,866
Transportation	202,537	192,409
Environmental health	128,905	138,058
Health and welfare	87,805	87,379
Urban planning and development	130,774	112,815
Recreation and culture	333,752	342,566
Financing expenses	342,345	329,990
	1,605,417	1,543,922
Other financial activities		
Repayment of long-term debt	329,793	329,564
Other transfers to investment activities		9,731
	329,793	339,295
Total operating expenditures and other financial activities	1,935,210	1,883,217
Surplus (deficiency) of financial activities before appropriations	(3,354)	46,654
Appropriations		
Restricted surplus	3,354	16,356
Financial reserves and reserved funds		(5,767)
	3,354	10,589
Surplus before long-term financing of financial activities		57,243
Long-term financing of financial activities		151
Surplus for the year		57,394

(1) Crossjurisdictional transactions have been eliminated.

Notes and Schedules to Financial Statements (continued)
Year ended December 31, 2006

(in thousands of dollars)

Urban agglomeration responsabilities		Eliminations (1)		Total	
Budget	Actual	Budget	Actual	Budget	Actual
1,557,326	1,534,052			2,539,848	2,526,576
142,917	150,802			236,578	246,309
183,211	172,636	(71,477)	(52,966)	625,959	636,484
90,572	58,292			457,713	434,641
1,974,026	1,915,782	(71,477)	(52,966)	3,860,098	3,844,010
(26,230)	(19,690)			(51,923)	(71,013)
1,947,796	1,896,092	(71,477)	(52,966)	3,808,175	3,772,997
267,909	194,589	(58,651)	(40,598)	570,787	478,830
763,340	749,950			781,110	765,816
420,491	427,150		(68)	623,028	619,491
201,140	196,633	(10,593)	(10,056)	319,452	324,635
41,291	37,379			129,096	124,758
55,686	46,508	(2,233)	(2,218)	184,227	157,105
79,571	76,388		(26)	413,323	418,928
74,591	70,957			416,936	400,947
1,904,019	1,799,554	(71,477)	(52,966)	3,437,959	3,290,510
68,903	70,933			398,696	400,497
18,272	5,732			18,272	15,463
87,175	76,665			416,968	415,960
1,991,194	1,876,219	(71,477)	(52,966)	3,854,927	3,706,470
(43,398)	19,873			(46,752)	66,527
52,224	78,800			55,578	95,156
(8,826)	(16,807)			(8,826)	(22,574)
43,398	61,993			46,752	72,582
	81,866				139,109
	1,109				1,260
	82,975				140,369

Notes and Schedules to Financial Statements (continued)
Year ended December 31, 2006

SCHEDULE 2 – STATEMENT OF INVESTMENT ACTIVITIES BY RESPONSABILITY

	Local responsabilities	
	Budget	Actual
Sources of financing		
Specific revenues transferred to financial activities from third parties		
Developers' contributions	8,652	11,500
Conditional transfers	17,041	40,013
Other		(190)
	25,693	51,323
Other transfers from financial activities		9,731
Other sources		
Unrestricted surplus		
Restricted surplus	6,043	13,218
Financial reserves and reserved funds		3,384
Issue of long-term loans	227,870	353,358
	259,606	431,014
Investment expenditures		
General administration	30,966	19,885
Public safety		378
Transportation	69,697	92,795
Environmental health	41,460	68,366
Health and welfare		571
Urban planning and development	67,377	40,216
Recreation and culture	50,106	60,317
	259,606	282,528
Investment activity surplus (deficiency) for the year		148,486

Notes and Schedules to Financial Statements (continued)
Year ended December 31, 2006

(in thousands of dollars)

Urban agglomeration responsabilities		Total	
Budget	Actual	Budget	Actual
86	335	8,738	11,835
26,144	19,081	43,185	59,094
	274		84
26,230	19,690	51,923	71,013
18,272	5,732	18,272	15,463
	123		123
	(137)	6,043	13,081
6,309	825	6,309	4,209
235,533	129,417	463,403	482,775
286,344	155,650	545,950	586,664
23,452	19,812	54,418	39,697
21,606	23,542	21,606	23,920
144,701	145,952	214,398	238,747
54,082	52,542	95,542	120,908
	1,568		2,139
3,038	10,691	70,415	50,907
39,465	18,681	89,571	78,998
286,344	272,788	545,950	555,316
	(117,138)		31,348

Notes and Schedules to Financial Statements (continued)
Year ended December 31, 2006

SCHEDULE 3 – OPERATING EXPENDITURES BY ITEM

(in thousands of dollars)

	2006	
	Budget	**Actual**
Salaries		
Elected officials	8,866	**7,005**
Employees	1,317,116	**1,307,848**
Employer contributions		
Elected officials	3,816	**2,907**
Employees	406,276	**372,041**
Transportation and communication	36,638	**36,144**
Professional, technical and other services		
Professional fees	56,435	**51,746**
Purchase of technical services	170,042	**155,822**
Other	21,562	**21,331**
Rental, maintenance and repairs		
Rental	90,856	**83,640**
Maintenance and repairs	57,016	**69,176**
Consumer goods		
Delivery of public services	77,807	**79,635**
Other consumer goods	137,716	**132,626**
Consumer durable goods	6,593	**4,735**
Financing expenses		
Interest and other charges on long-term debt borne by:		
Municipality	255,005	**247,067**
Québec government and his enterprises	112,184	**102,730**
Other third parties	48,318	**49,026**
Other financing expenses	1,429	**2,124**
Contributions to organizations		
Municipal organizations		
Société de transport de Montréal	278,000	**290,642**
Communauté métropolitaine de Montréal	28,314	**27,622**
Reconstitued municipalities	16,210	**15,999**
Other	27,151	**27,639**
Government organizations		
Agence métropolitaine de transport	30,500	**30,186**
Other	8,204	**8,563**
Other organizations	66,443	**74,682**
Other items		
Doubtful accounts or bad debts	20,459	**18,587**
Other	155,003	**70,987**
	3,437,959	**3,290,510**

Notes and Schedules to Financial Statements (continued)
Year ended December 31, 2006

SCHEDULE 4 – LONG-TERM UNFUNDED EXPENDITURES

	Responsabilities		
	Local	Urban agglomeration	Total 2006
Long-term unfunded financial activity expenditures			
Long-term unfunded financial activity expenditures, beginning of year	(97,967)		(97,967)
Surplus (deficiency) of financial activity expenditures, for the year	3,450	(1,109)	2,341
Long-term unfunded financial activity expenditures, end of year	**(94,517)**	**(1,109)**	**(95,626)**
Long-term unfunded investment expenditures			
Long-term unfunded investment expenditures, beginning of year	(316,872)		(316,872)
Surplus (deficiency) of investment activities for the year	148,486	(117,138)	31,348
Transfer to reserved funds	(283)		(283)
Long-term unfunded investment expenditures, end of year	**(168,669)**	**(117,138)**	**(285,807)**
Long-term unfunded expenditures	**(263,186)**	**(118,247)**	**(381,433)**

Notes and Schedules to Financial Statements (continued)
As at December 31, 2006

SCHEDULE 5 – DIRECT AND INDIRECT DEBT AND LONG-TERM UNFUNDED EXPENDITURES

(in thousands of dollars)

	Notes	2006
Net direct debt and long-term unfunded expenditures		
Long-term debt	*12*	6,550,725
Add		
Long-term unfunded financial activity expenditures		95,626
Long-term unfunded investment expenditures		285,807
Deduct		
Amounts recoverable from third parties for repayment		1,311,098
Amounts accumulated for repayment		1,203,294
Amounts recoverable through user fees		215,671
		4,202,095
Net indirect debt and long-term unfunded expenditures		
Organizations included in the financial reporting entity	*19 e)*	
Société de transport de Montréal		391,362
Société d'habitation et de développement de Montréal		127,853
Société de développement de Montréal		91,772
Anjou 80		3,426
		614,413
Net direct and indirect debt and long-term unfunded expenditures		4,816,508

FINANCIAL REPORTING
MIXED EXPENDITURES

2006

ANNUAL FINANCIAL REPORT

2006

Montréal

Bureau du vérificateur général
1550, rue Metcalfe
Bureau 1201
Montréal (Québec) H3A 3P1

REPORT OF THE GENERAL AUDITOR OF MONTRÉAL ON THE BREAKDOWN OF THE MIXED EXPENDITURES

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of the Ville de Montréal,
the Members of the Montréal Agglomeration Council

Under Section 70 of *An Act respecting the exercise of certain municipal powers in certain urban agglomerations*, I have audited the schedule on the breakdown of the mixed expenditures between the City and the Montréal agglomeration for the year ended December 31, 2006. This breakdown is determined in accordance with the criteria defined in by-law RCG06-016 adopted by the Agglomeration Council on January 27, 2006, and the interpretation of this by-law described in Note 2 of the schedule. This financial information is the responsibility of the Municipal Administration. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by the Municipal Administration, as well as evaluating the overall financial information presentation.

In my opinion, this schedule presents fairly, in all material respects, the breakdown of the mixed expenditures between the City and the Montréal agglomeration for the year ended December 31, 2006 in accordance with the criteria defined in the by-law adopted by the Agglomeration Council and the interpretation of this regulation.

General auditor of Montréal,

Michel Doyon, CA

Montréal, April 12, 2007

Schedule of Mixed Expenditures
Year ended December 31, 2006

(in thousands of dollars)

	Local responsabilities	
	Budget	Actual
Operating Expenditures		
General administration	100,714	91,911
Public safety		538
Transportation	18,741	16,348
Environmental health	4,595	3,520
Health and welfare	2,180	2,032
Urban planning and development	34,219	37,358
Recreation and culture	7,027	6,977
Financing expenses		788
	167,476	159,472
Other financial activities		
Transfers to investment activities		208
Total operating expenditures and other financial activities	167,476	159,680

(1) Crossjurisdictional transactions have been eliminated.

Schedule of Mixed Expenditures (continued)

Year ended December 31, 2006

Urban agglomeration responsabilities		Eliminations (1)		Total	
Budget	Actual	Budget	Actual	Budget	Actual
117,256	111,787	(48,854)	(28,972)	169,116	174,726
	1,944				2,482
9,065	6,911		(48)	27,806	23,211
1,597	1,016	(2)	(11)	6,190	4,525
2,478	2,170			4,658	4,202
12,283	12,627	(7,850)	(7,767)	38,652	42,218
10,173	10,293		(15)	17,200	17,255
	974				1,762
152,852	147,722	(56,706)	(36,813)	263,622	270,381
	235				443
152,852	147,957	(56,706)	(36,813)	263,622	270,824

Mixed Expenditures – Notes to the Financial Statements
December 31, 2006

1- MIXED EXPENDITURES

An *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), and the *Montréal Agglomeration Order (*Order-in-Council No. 1229-2005) list the powers over the agglomeration. Under this act, the expenditures incurred in completing an act that results from the exercise of both a power over the agglomeration and another power, are mixed expenditures subject to a by-law of the Montréal Urban Agglomeration Council that establishes all criteria for determining which portion of a mixed expenditure constitutes an expenditure incurred during the exercise of powers over the agglomeration.

2- BREAKDOWN OF MIXED EXPENDITURES

The breakdown of the mixed expenditures between the City and the Montréal agglomeration is determined in accordance with the criteria defined in by-law RCG06-016 adopted by the Agglomeration Council on January 27, 2006 and effective on January 1, 2006. Therefore, the portion of a mixed expenditure related to transportation, environmental health, health and welfare, urban planning and development, as well as recreation and culture, which constitutes an expenditure incurred during the exercise of the powers over the agglomeration, is determined based on factual quantitative data or the quantitative evaluation of human or material and financial resources that they are responsible for. Also, the portion of a mixed general administrative expenditure, which constitutes an expenditure incurred during the exercise of the powers over the agglomeration, is determined based on the relevant portion of the budget that is forecast for purposes of the powers over the agglomeration on the overall budget of the City.

The actual mixed expenditures are distributed based on the rates used to develop the City's 2006 Budget.

FINANCIAL REPORTING

SUPPLEMENTARY INFORMATION

(unaudited)

2006

ANNUAL FINANCIAL REPORT

2006

Analysis of Revenues
Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	Actual
Taxes		
On property value		
General property taxes	2,152,214	**2,163,799**
Sectorial taxes		
Special taxes for debt service	6,943	**7,069**
Special taxes for financial activities	6,383	**6,536**
Taxes allocated to improve water service	46,258	**46,206**
Road tax	19,558	**19,576**
Other	1,335	**1,001**
	2,232,691	**2,244,187**
On another basis		
Taxes, compensation and user fees		
Municipal services		
Water	239,150	**233,073**
Waste water treatment	6,300	**5,972**
Waste removal and recycling	12,990	**13,211**
Other	21,113	**872**
Debt service	20,526	**20,840**
	300,079	**273,968**
Business taxes		
Other	7,078	**8,421**
	307,157	**282,389**
	2,539,848	**2,526,576**

Analysis of Revenues (continued)

Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	Actual
Payments in lieu of taxes		
Government of Québec and its enterprises		
Government enterprise immovables and establishments		
Taxes on property value	30,999	29,305
Taxes allocated to improve water service	829	823
Road tax	309	314
Other taxes, compensations and billing	9,895	9,217
	42,032	39,659
Immovables of the health and social services network and educational system		
Health and social services	43,206	43,754
Cégeps (junior colleges) and universities	54,900	60,520
Primary and secondary schools	39,083	43,407
	137,189	147,681
Other immovables		
Immovables of certain government and international agencies		
Taxes on property value	1,877	1,395
Taxes allocated to improve water service	68	39
Road tax	15	15
Classified cultural property	422	215
Classified cultural property – Taxes allocated to improve water service	18	3
Classified cultural property – Road tax	1	1
	2,401	1,668
	181,622	189,008
Government of Canada and its enterprises		
Taxes on property value	39,392	41,037
Taxes allocated to improve water service	754	745
Road tax	542	567
Other taxes, compensations and billing	7,120	7,052
	47,808	49,401
Municipal organizations		
Other taxes, compensations and billing	5,349	6,236
Other	1,799	1,664
	54,956	57,301
	236,578	246,309

Analysis of Revenues (continued)
Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	Actual
Other revenues from local sources		
Services provided to municipal organizations		
General administration	69	425
Public safety		
Fire safety		30
Transportation		
Road network		
Municipal roads		18
Snow removal		128
		146
Environmental health		
Supply and treatment of drinking water	178	114
Water distribution system	598	
Waste removal and recycling		253
	776	367
	845	968

Analysis of Revenues (continued)
Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	Actual
Other revenues from local sources (continued)		
Other services provided		
General administration	11,241	13,426
Public safety	28,074	25,266
Transportation	31,566	33,038
Environmental health	15,538	7,398
Health and welfare	845	719
Urban planning and development	71,365	66,149
Recreation and culture	31,862	31,192
	190,491	177,188
Other revenues		
Fee collection		
Licences and permits	12,716	15,915
Real estate transfer fees	79,731	94,816
Other		43
	92,447	110,774
Fines and penalties		
Tickets – Traffic and parking	155,061	134,118
Other – Fines and penalties	7,250	8,900
	162,311	143,018
Interest		
Tax arrears	7,434	7,930
Sinking Fund	54,607	57,132
Cash and other interest	29,389	51,177
	91,430	116,239
Disposal of capital asets		
Municipal industrial immovables		94
Other assets	25,385	17,972
	25,385	18,066
Developers' contributions	8,738	11,858
Contribution by municipal organizations	51,709	49,950
Other	2,603	8,423
	434,623	458,328
	625,959	636,484

Analysis of Revenues (continued)

Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	Actual
Transfers		
Unconditional transfers		
Québec government subsidies		
Compensation for TGE-FFLA	39,500	36,170
Central cities	8,000	8,120
Neutrality	9,640	9,732
Other	38,700	40,129
	95,840	94,151
Conditional transfers		
Government subsidies		
General administration	27,909	10,902
Public safety		
Police	5,730	2,000
Fire safety		751
Other		318
	5,730	3,069
Transportation		
Road network		
Municipal roads	26,070	30,993
Snow removal		1,615
Other		59
Public transit	47,169	42,222
Other		1,681
	73,239	76,570
Environmental health		
Supply and treatment of drinking water	214	820
Water distribution system	34,711	30,701
Waste water treatment	76,210	70,317
Sewage system	2,489	5,753
Solid waste removal and recycling	16	303
Environmental protection	5,262	1,772
Other	1,793	5,238
	120,695	114,904

Analysis of Revenues (continued)
Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	**Actual**
Transfers (continued)		
Conditional transfers (continued)		
Health and welfare		
Public housing	400	**201**
Income security, public employment services and community health	64,392	**57,271**
Other	8,678	**10,899**
	73,470	**68,371**
Urban planning and development		
Urban redevelopment	31,006	**27,912**
Promotion and economic development	15,877	**16,806**
Other	1,945	**2,821**
	48,828	47,539
Recreation and culture		
Recreational activities	7,318	**11,621**
Cultural activities		
Libraries	3,562	**5,363**
Other	748	**2,151**
	11,628	**19,135**
	361,499	**340,490**
Other conditional transfers	374	
	361,873	**340,490**
	457,713	**434,641**
Total revenues	3,860,098	**3,844,010**

Analysis of Operating Expenditures
Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	Actual
General administration		
City Council	57,299	52,553
Application of the law	49,167	49,572
Financial and administrative management	157,740	163,882
Registry office	14,453	13,460
Valuation	22,114	19,807
Personnel management	31,620	31,019
Other	238,394	148,537
	570,787	478,830
Public safety		
Police	488,298	486,342
Fire safety	277,376	263,880
Emergency preparedness	1,971	1,899
Other	13,465	13,695
	781,110	765,816
Transportation		
Road network		
Municipal roads	114,989	118,611
Snow removal	126,814	107,196
Lighting	29,784	28,422
Traffic and parking	33,404	37,123
	304,991	291,352
Public transit	308,500	320,799
Other	9,537	7,340
	623,028	619,491
Environmental health		
Water and sewers		
Supply and treatment of drinking water	48,362	46,876
Water distribution system	51,170	46,529
Waste water treatment	54,297	54,146
Sewage system	27,271	25,074
	181,100	172,625
Waste removal and recycling		
Household waste		
Collection and transportation	59,422	65,220
Disposal	22,939	27,844
Secondary materials		
Collection and transportation	24,729	25,373
Treatment	9,435	11,410
Disposal of dry materials	10,935	12,387
	127,460	142,234
Environmental protection	10,469	9,382
Other	423	394
	319,452	324,635

Analysis of Operating Expenditures (continued)
Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	**Actual**
Health and welfare		
Public housing	47,851	**44,033**
Income security, public employment services and community health	63,392	**62,271**
Other	17,853	**18,454**
	129,096	**124,758**
Urban planning and development		
Urban development, planning and zoning	41,861	**42,030**
Urban redevelopment		
Heritage properties	7,641	**5,049**
Other properties	59,976	**51,662**
	67,617	**56,711**
Promotion and economic development		
Industry and trade	70,052	**58,567**
Tourism	1,499	**1,722**
Other	523	**806**
	72,074	**61,095**
Other	2,675	**(2,731)**
	184,227	**157,105**
Recreation and culture		
Recreational activities		
Community centres	59,926	**59,744**
Indoor and outdoor skating rinks	35,365	**35,734**
Swimming pools, beaches and marinas	32,866	**32,124**
Parks and playing fields	118,596	**126,879**
Regional parks – Management and operations	5,509	**1**
Exhibitions and fairs	362	**353**
Other	13,205	**13,583**
	265,829	**268,418**
Cultural activities		
Community centres	11,675	**11,518**
Libraries	58,352	**59,753**
Heritage – Museums and exhibition centres	54,265	**54,247**
Other	23,202	**24,992**
	147,494	**150,510**
	413,323	**418,928**

Analysis of Operating Expenditures (continued)
Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	**Actual**
Financing expenses		
Long-term debt		
Interest	402,128	**391,882**
Other charges	13,379	**6,941**
	415,507	**398,823**
Other financing expenses	1,429	**2,124**
	416,936	**400,947**
Total operating expenditures	3,437,959	**3,290,510**

Analysis of Cost of Municipal Services
Year ended December 31, 2006

(in thousands of dollars)

	Operating expenditures	Financing expenses
General administration		
Valuation	19,807	113
Other	459,023	41,125
	478,830	41,238
Public safety		
Police	486,342	1,901
Fire safety	263,880	35,730
Emergency preparedness	1,899	
Other	13,695	1,224
	765,816	38,855
Transportation		
Road network		
Municipal roads	118,611	60,074
Snow removal	107,196	8,186
Other	65,545	12,829
Public transit	320,799	36,736
Other	7,340	
	619,491	117,825
Environmental health		
Supply and treatment of drinking water	46,876	2,400
Water distribution system	46,529	10,964
Waste water treatment	54,146	69,214
Sewage system	25,074	14,372
Waste removal and recycling		
Household waste	93,064	380
Secondary materials	36,783	2,052
Other	12,387	104
Environmental protection	9,382	
Other	394	60
	324,635	99,546
Health and welfare		
Public housing	44,033	
Income security, public employment services and community health	62,271	10,660
Other	18,454	
	124,758	10,660
Urban planning and development		
Urban development, planning and zoning	42,030	4,110
Urban redevelopment	56,711	4,346
Promotion and economic development	61,095	11,702
Other	(2,731)	21,770
	157,105	41,928
Recreation and culture		
Recreational activities	268,418	39,822
Cultural activities		
Libraries	59,753	4,149
Other	90,757	6,924
	418,928	50,895
Financing expenses	400,947	(400,947)
	3,290,510	

Analysis of Cost of Municipal Services (continued)

Year ended December 31, 2006

Amortization					
Capital assets	Deferred subsidies (governments and their enterprises)	Operating subsidies (governments and their enterprises)	Services provided	Gain on disposals	Cost of municipal services
1,203		(1)	(761)		20,361
11,493	(1,506)	(8,390)	(13,090)		488,655
12,696	(1,506)	(8,391)	(13,851)		509,016
9,739		(2,000)	(23,876)		472,106
6,245	(290)	(516)	(426)		304,623
120					2,019
5		(219)	(994)		13,711
16,109	(290)	(2,735)	(25,296)		792,459
117,216	(12,658)	(3,940)	(2,924)		276,379
9,771	(112)	(1,071)	(391)		123,579
14,321	(36)	(59)	(28,678)		63,922
		(20,105)			337,430
102		(1,121)	(1,191)		5,130
141,410	(12,806)	(26,296)	(33,184)		806,440
3,231	(76)	(533)	(182)		51,716
20,901	(2,286)	(98)	(528)		75,482
37,446	(26,789)	(47,005)	(96)		86,916
28,363	(3,679)	(34)	(310)		63,786
3,311	(43)		(251)		96,461
4,862	(18)	(202)	(670)		42,807
22	(22)		(5,285)		7,206
47	(6)	(1,772)	(439)		7,212
		(2,399)	(4)		(1,949)
98,183	(32,919)	(52,043)	(7,765)		429,637
	(62)	(201)	(621)		43,149
58	(9)	(57,271)			15,709
369		(10,069)	(98)		8,656
427	(71)	(67,541)	(719)		67,514
2,539	(153)		(10,607)		37,919
612	(180)	(26,153)	(455)		34,881
816	(134)	(14,728)	(5,247)		53,504
19,220	(371)	(1,290)	(49,840)		(13,242)
23,187	(838)	(42,171)	(66,149)		113,062
58,463	(8,084)	(2,331)	(16,025)		340,263
8,370	(381)	(4,795)	(1,131)		65,965
3,464	(451)	(1,827)	(14,036)		84,831
70,297	(8,916)	(8,953)	(31,192)		491,059
362,309	(57,346)	(208,130)	(178,156)		3,209,187

Analysis of Investment Expenditures by Type
Year ended December 31, 2006

(in thousands of dollars)

	2006	
	Budget	**Actual**
Capital assets		
Infrastructures		
Wastewater treatment plants and facilities	2,429	8,846
Sewers	24,668	50,319
Aqueduct	36,344	55,687
Drinking water treatment plants	24,509	1,173
Parks and playing fields	32,335	41,729
Landfills and incinerator		1,407
Paths, streets, routes and sidewalks	165,563	183,584
Bridges, tunnels and viaducts	25,632	32,231
Parking lots	100	440
Street lighting system	14,332	9,262
Other infrastructures	47,889	39,423
	373,801	424,101
Power grid		
Buildings		
Administrative buildings	37,465	20,580
Community buildings	36,583	28,591
Leasehold improvements		14,894
Vehicles	28,371	24,600
Office furniture and equipment	30,055	33,410
Machinery, tools and equipment	5,619	4,947
Land	14,725	
Other	19,331	588
	545,950	551,711
Other investments		
Assets intended for sale		(464)
Long-term receivables		4,069
		3,605
	545,950	555,316

Changes in Sinking Fund Investments
Year ended December 31, 2006

(in thousands of dollars)

Sinking Fund Investments as at January 1, 2006	1,044,400
Add	
Contributions	199,381
Deduct	
Reimbursement of long-term debt from provisions	80,593
Sinking Fund Investments as at December 31, 2006 (1)	1,163,188

(1) Sinking Fund Investments

Term deposits and other securities		34,729
Bonds		
Provinces and government agencies	470,770	
Société de Transport de Montréal	13,942	
Ville de Montréal	162,615	
Other municipalities	273,718	
School boards, CEGEPs, CLSCs and hospitals	207,414	
		1,128,459
		1,163,188

Long-Term Debt Maturity
As at December 31, 2006

(in thousands)

Years of maturity	Bonds and term notes							
	Canadian dollars		U.S. dollars		Swiss Francs		Japanese Yen	
	Maturity (1)	To be refinanced (2)	Maturity (1)	To be refinanced (2)	Maturity (1)	To be refinanced (2)	Maturity (1)	To be refinanced (2)
2007	490,151	82,799					2,750,000	1,875,000
2008	611,302	195,844						
2009	342,016	65,307	32,624	15,424				
2010	578,071	114,545						
2011	520,274	126,718	70,000	28,015				
2012	202,777	70,993	35,000	13,008				
2013	425,030	214,139			46,700	23,350		
2014	384,806	141,352						
2015	319,246	170,951						
2016	171,081	54,861						
2017	120,337	14,133						
2018	15,264							
2019	12,413							
2020	7,548							
2021	7,393							
2022	29,614	8,333						
2023	101,605							
2024	401,007							
2025	1,112							
2026	391,227	8,172						
2043	1,051,668							
2045	119,174							
	6,303,116	1,268,147	137,624	56,447	46,700	23,350	2,750,000	1,875,000
Perpetuity								
	6,303,116	1,268,147	137,624	56,447	46,700	23,350	2,750,000	1,875,000

Notes : (1) Amounts in this column represent loans maturing during each of the years shown.

(2) Amounts are included in the maturity column.

(3) Of this amount, $1,163.2 million has already accumulated in the Sinking Fund as at December 31, 2006.
In addition, deferred revenues from these loans amount to $40.1 million.

Long-Term Debt Maturity
As at December 31, 2006

Bonds and term notes					Other debt			
Pounds sterling		Total value in Canadian dollars			Canadian dollars			Net maturity in Canadian dollars
Maturity (1)	To be refinanced (2)	Maturity (1)	To be refinanced (2)	Net maturity	Maturity (1)	To be refinanced (2)	Net maturity	
		517,063	101,152	415,911	723		723	416,634
		611,302	195,844	415,458	773		773	416,231
		380,036	83,282	296,754	830		830	297,584
		578,071	114,545	463,526	892		892	464,418
		601,853	159,367	442,486	937		937	443,423
		243,566	86,152	157,414	987		987	158,401
		469,644	236,445	233,199	1,063		1,063	234,262
		384,806	141,351	243,455	1,064	12	1,052	244,507
		319,246	170,951	148,295	697		697	148,992
		171,081	54,861	116,220	746		746	116,966
		120,337	14,133	106,204	717		717	106,921
		15,264		15,264	598		598	15,862
		12,413		12,413	640		640	13,053
		7,548		7,548	684		684	8,232
		7,393		7,393	731		731	8,124
		29,614	8,333	21,281	782		782	22,063
		101,605		101,605	703		703	102,308
		401,007		401,007	484		484	401,491
		1,112		1,112	516		516	1,628
		391,227	8,172	383,055	212		212	383,267
		1,051,668		1,051,668				1,051,668
		119,174		119,174				119,174
		6,535,030	1,374,588	5,160,442	14,779	12	14,767	5,175,209
362		851		851				851
362		6,535,881 (3)	1,374,588	5,161,293	14,779	12	14,767	5,176,060
			To be refinanced	1,374,588			12	1,374,600
				6,535,881 (3)			14,779	6,550,660
							Debt in refinancing	65
								6,550,725

Changes in Long-Term Debt
Year ended December 31, 2006

(in thousands of dollars)

Long-term debt as at January 1, 2006		6,348,896
Add		
Loans incurred		
Loan, 3.55% to 4.25%, issued on February 17, 2006, for capital assets ($75.2 million); for refinancing ($24.8 million);		100,000
Loan, 4.75%, issued on May 31, 2006, for refinancing;		191
Loan, 4.86%, issued on June 16, 2006, for capital assets ($99.8 million); for financial activity expenditures ($0.2 million);		100,000
Loan, 5.15%, issued on June 16, 2006, for capital assets;		150,000
Loan, 4.91%, issued on September 29, 2006, for capital assets ($13.1 million); for refinancing ($86.9 million);		100,000
Loan, 4% to 4.4%, issued on September 29, 2006, for capital assets ($4.6 million); for refinancing ($95.4 million);		100,000
Loan, 4.99%, issued on November 17, 2006, for capital assets;		140,000
Lost on foreign exchange fluctuations		2,934
		693,125
Deduct		
Refinancing of bonds and term notes at maturity		207,259
Bonds and term notes redeemed at maturity		
Sinking Fund	80,587	
Operating budget	202,785	
Repayment of other long-term debt		
Sinking Fund	6	
Operating budget	659	
		284,037
		491,296
Long-term debt as at December 31, 2006		6,550,725

2006

Statement of Water Management Financial Activities
Year ended December 31, 2006

(in thousands of dollars)

	Local responsabilities	
	Budget	**Actual**
Revenues		
Taxes allocated to improve water service	57,074	**57,176**
Other revenues from local sources	2,565	**902**
Transfers	14,356	**36,293**
User fees – drinking water – reconstitued municipalities		
Amount from property and rental taxes and other revenues	47,783	**47,783**
	121,778	**142,154**
Specific revenues transferred to investment activities	(14,356)	**(36,293)**
	107,422	**105,861**
Expenditures		
Operating expenditures	56,613	**51,255**
Financing expenses (1)	50,809	**50,809**
Transfers to investment activities		**371**
	107,422	**102,435**
Surplus of financial activities before appropriations		**3,426**
Appropriations		
Restricted surplus		
Financial reserves – Water management		
Surplus for the year		**3,426**

(1) Debt service calculations include grants investments, financing expenses and repayment of long-term debt.

(2) Crossjurisdictional transactions have been eliminated.

Statement of Water Management Financial Activities (continued)

Year ended December 31, 2006

Urban agglomeration responsabilities		Eliminations (2)		Total	
Budget	Actual	Budget	Actual	Budget	Actual
				57,074	57,176
3,994	512			6,559	1,414
23,212	9,660			37,568	45,953
3,184	3,229			3,184	3,229
135,123	146,423			182,906	194,206
165,513	159,824			287,291	301,978
(11,912)	(9,660)			(26,268)	(45,953)
153,601	150,164			261,023	256,025
124,487	121,373		(3)	181,100	172,625
37,814	37,814			88,623	88,623
	1,539				1,910
162,301	160,726		(3)	269,723	263,158
(8,700)	(10,562)		3	(8,700)	(7,133)
	19,170				19,170
8,700				8,700	
8,700	19,170			8,700	19,170
	8,608		3		12,037

Statement of Water Management Investment Activities
Year ended December 31, 2006

(in thousands of dollars)

	Local responsabilities	
	Budget	Actual
Sources of cash financing		
Specific revenues transferred to financial activities from third parties		
Conditional transfers	14,356	36,293
Other transfers from financial activities		371
Other sources		
Financial reserve - Water management		
Surplus		18
	14,356	36,682
Investment expenditures		
Environmental health		
Aqueduct and sewage system	26,170	45,409
Purification and treatment of drinking water		
Wastewater treatment plant and facilities		
Other classes of assets		24
	26,170	45,433
Deficit of investing activities on cash financing	(11,814)	(8,751)

Statement of Water Management Investment Activities (continued)

Year ended December 31, 2006

Urban agglomeration responsabilities		Total	
Budget	Actual	Budget	Actual
11,912	9,660	26,268	45,953
	1,539		1,910
6,309	825	6,309	825
	42		60
18,221	12,066	32,577	48,748
22,332	42,106	48,502	87,515
24,509	1,173	24,509	1,173
2,000	8,846	2,000	8,846
3,000	547	3,000	571
51,841	52,672	78,011	98,105
(33,620)	(40,606)	(45,434)	(49,357)

ANNUAL FINANCIAL REPORT

2006

COMPLEMENTARY AND STATISTICAL INFORMATION

(unaudited)

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ANNUAL FINANCIAL REPORT

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Equivalent Taxable Valuation
December 31, 2006

Equivalent Taxable Valuation

The City collects significant revenues in respect of certain tax-exempt immovables in the form of payments in lieu of taxes. For these reasons, the taxable valuation has been adjusted to more accurately reflect the values of the immovables on which the City's revenues are based. The equivalent taxable valuation is obtained by augmenting the taxable valuation by an amount of the non-taxable valuation that, if taxed on the current rates, would generate tax revenues equivalent to the payments in lieu of taxes and other revenues that the City collects for these types of properties. The following table sets forth the equivalent taxable valuation of the City's immovables as at December 31.

(in thousands of dollars)	Equivalent value	
	Urban Agglomeration	Ville de Montréal
Valuation of taxable immovables (1)	115,190,071	91,136,130
Valuation of tax-exempt immovables		
Immovables mentioned in Section 208	674,602	244,337
Government of Québec and its enterprises	757,990	739,899
Government of Canada and its enterprises	1,407,662	748,712
Foreign governments	57,279	46,977
Classified immovable cultural property	12,845	12,398
Health and social services network (2)	2,511,799	2,376,660
CEGEPs (junior colleges) and universities (2)	3,396,495	3,175,939
Primary schools (2)	1,262,518	1,049,752
Secondary schools (2)	1,352,637	1,188,502
	11,433,827	9,583,176
Valuation of taxable and tax-exempt immovables	126,623,898	100,719,306
Comparative factor (3)	1.39	1.39
Standardized equivalent taxable valuation	**176,007,218**	**139,999,835**

(1) According to the three-year valuation roll for 2004-2006, tabled on September 12, 2003, updated December 31, 2006.
(2) The percentage applicable to such immovables is established in Avis 1019 of the Government of Québec.
(3) The comparison factor of the agglomeration is determined based on an Act respecting the exercise of certain municipal powers in certain urban agglomerations, S.Q. 2004, chapter 29, Section 84.

2006 and 2007 Tax Rates [1]

Residual Properties (five or fewer units)

Sector-Boroughs	2007 [2]				2006			
	Average Cumulative Rates [3]			Average Cumulative Global Rates [3]	Average Cumulative Rates [3]			Average Cumulative Global Rates [3]
	Agglo-meration	Ville de Montréal	Borough		Agglo-meration	Ville de Montréal	Borough	
Anjou	0.7726	0.5669	0.0550	1.3945	0.8077	0.6896		1.4973
Lachine	0.7726	0.4977	0.0399	1.3102	0.8077	0.6030	0.0234	1.4341
LaSalle	0.7726	0.4588	0.2142	1.4456	0.8077	0.5892		1.3969
L'Île-Bizard	0.7726	0.4350	0.0115	1.2191	0.8077	0.5438		1.3515
Montréal								
Ahuntsic-Cartierville	0.7726	0.6083	0.0105	1.3914	0.8077	0.7238		1.5315
Côte-des-Neiges–Notre-Dame-de-Grâce	0.7726	0.6083	0.0033	1.3842	0.8077	0.7238		1.5315
Mercier–Hochelaga-Maisonneuve	0.7726	0.6083	0.0053	1.3862	0.8077	0.7238		1.5315
Plateau-Mont-Royal	0.7726	0.6083	0.0058	1.3867	0.8077	0.7238		1.5315
Rivière-des-Prairies–Pointe-aux-Trembles	0.7726	0.6083	0.0144	1.3953	0.8077	0.7238		1.5315
Rosemont–La Petite-Patrie	0.7726	0.6083	0.0089	1.3898	0.8077	0.7238		1.5315
Sud-Ouest	0.7726	0.6083	0.0119	1.3928	0.8077	0.7238		1.5315
Ville-Marie	0.7726	0.6083	0.0292	1.4101	0.8077	0.7238		1.5315
Villeray–Saint-Michel–Parc-Extension	0.7726	0.6083	0.0088	1.3897	0.8077	0.7238		1.5315
Montréal-Nord	0.7726	0.4965	0.0751	1.3442	0.8077	0.5752	0.0700	1.4529
Outremont	0.7726	0.4244	0.0057	1.2027	0.8077	0.4818		1.2895
Pierrefonds	0.7726	0.5732	0.0433	1.3891	0.8077	0.7079	0.0326	1.5482
Roxboro	0.7726	0.5175	0.0286	1.3187	0.8077	0.6434	0.0326	1.4837
Sainte-Geneviève	0.7726	0.5013	0.0111	1.2850	0.8077	0.6017		1.4094
Saint-Laurent	0.7726	0.4994	0.0063	1.2783	0.8077	0.5870		1.3947
Saint-Léonard	0.7726	0.4934	0.0263	1.2923	0.8077	0.6028	0.0146	1.4251
Verdun	0.7726	0.5590	0.0078	1.3394	0.8077	0.4745	0.2308	1.5130
Ville de Montréal	**0.7726**				**0.8077**			
Reconstituted municipalities	**0.7449**				**0.7818**			
Hampstead [4]	0.4730				0.7818			

1. All property taxes are expressed in dollars per $100 valuation.
2. In 2007, the forward averaging of the four-year valuation roll for 2007-2010 was applied to all sectors.
3. The average cumulative rates correspond to the sum of a council's revenues from taxes user fees, divided by the values of properties situated within that juridiction. The global rate correspond to the set of average cumulative rates for the three levels of taxation.
4. In 2007, the municipality of Hampstead has opted to apply the tax mitigation measure. The Urban Agglomeration's general property tax basic rate for the residual category has been cut by 0.2719 (0.1577 for 2006 and 0.1142 for 2007).

2006 and 2007 Tax Rates [1]

Properties with Six or More Units

Sector-Boroughs	2007 [2]				2006			
	Average Cumulative Rates [3]			Average Cumulative Global Rates [3]	Average Cumulative Rates [3]			Average Cumulative Global Rates [3]
	Agglo-meration	Ville de Montréal	Borough		Agglo-meration	Ville de Montréal	Borough	
Anjou	0.7726	0.6618	0.0550	1.4894	0.8077	0.8463		1.6540
Lachine	0.7726	0.6385	0.1019	1.5130	0.8077	0.8138	0.0853	1.7068
LaSalle	0.7726	0.5537	0.2142	1.5405	0.8077	0.8000		1.6077
L'Île-Bizard	0.7726	0.5283	0.0115	1.3124	0.8077	0.7546		1.5623
Montréal								
Ahuntsic-Cartierville	0.7726	0.7031	0.0105	1.4862	0.8077	0.9346		1.7423
Côte-des-Neiges–Notre-Dame-de-Grâce	0.7726	0.7031	0.0033	1.4790	0.8077	0.9346		1.7423
Mercier–Hochelaga-Maisonneuve	0.7726	0.7031	0.0053	1.4810	0.8077	0.9346		1.7423
Plateau-Mont-Royal	0.7726	0.7031	0.0058	1.4815	0.8077	0.9346		1.7423
Rivière-des-Prairies–Pointe-aux-Trembles	0.7726	0.7031	0.0144	1.4901	0.8077	0.9346		1.7423
Rosemont–La Petite-Patrie	0.7726	0.7031	0.0089	1.4846	0.8077	0.9346		1.7423
Sud-Ouest	0.7726	0.7031	0.0119	1.4876	0.8077	0.9346		1.7423
Ville-Marie	0.7726	0.7031	0.0292	1.5049	0.8077	0.9346		1.7423
Villeray–Saint-Michel–Parc-Extension	0.7726	0.7031	0.0088	1.4845	0.8077	0.9346		1.7423
Montréal-Nord	0.7726	0.5914	0.0751	1.4391	0.8077	0.7860	0.0700	1.6637
Outremont	0.7726	0.5193	0.0057	1.2976	0.8077	0.6925		1.5002
Pierrefonds	0.7726	0.6680	0.0433	1.4839	0.8077	0.9187	0.0326	1.7590
Roxboro	0.7726	0.6123	0.0286	1.4135	0.8077	0.8541	0.0326	1.6944
Sainte-Geneviève	0.7726	0.5961	0.0111	1.3798	0.8077	0.7872		1.5949
Saint-Laurent	0.7726	0.5940	0.0063	1.3729	0.8077	0.7978		1.6055
Saint-Léonard	0.7726	0.5883	0.0263	1.3872	0.8077	0.8137	0.0146	1.6360
Verdun	0.7726	0.6731	0.0078	1.4535	0.8077	0.7328	0.2545	1.7950
Ville de Montréal	**0.7726**				**0.8077**			
Reconstituted municipalities	**0.7449**				**0.7818**			
Hampstead [4]	0.5147				0.7818			

1. All property taxes are expressed in dollars per $100 valuation.
2. In 2007, the forward averaging of the four-year valuation roll for 2007-2010 was applied to all sectors.
3. The average cumulative rates correspond to the sum of a council's revenues from taxes user fees, divided by the values of properties situated within that juridiction. The global rate correspond to the set of average cumulative rates for the three levels of taxation.
4. In 2007, the municipality of Hampstead has opted to apply the tax mitigation measure. The Urban Agglomeration's general property tax basic rate for the properties with six or more units has been cut by 0.2302 (0.1332 for 2006 and 0.0970 for 2007).

2006 and 2007 Tax Rates [1]

Non-Residential Properties

Sector-Boroughs	2007 [2]				2006			
	Average Cumulative Rates [3]			Average Cumulative Global Rates [3]	Average Cumulative Rates [3]			Average Cumulative Global Rates [3]
	Agglomeration	Ville de Montréal	Borough		Agglomeration	Ville de Montréal	Borough	
Anjou	2.4093	2.0488	0.0550	4.5131	2.7486	1.9201		4.6687
Lachine	2.4093	1.8911	0.0218	4.3220	2.7486	1.7183	0.0054	4.4723
LaSalle	2.4093	1.7550	0.2142	4.3785	2.7486	1.6340		4.3826
L'Île-Bizard	2.4093	1.6524	0.0115	4.0732	2.7486	1.3554		4.1040
Montréal								
Ahuntsic-Cartierville	2.4093	2.2666	0.0105	4.6864	2.7486	2.0441		4.7927
Côte-des-Neiges–								
Notre-Dame-de-Grâce	2.4093	2.2294	0.0033	4.6420	2.7486	2.0441		4.7927
Mercier–Hochelaga-Maisonneuve	2.4093	2.3493	0.0053	4.7639	2.7486	2.0441		4.7927
Plateau-Mont-Royal	2.4093	2.1832	0.0058	4.5983	2.7486	2.0441		4.7927
Rivière-des-Prairies–								
Pointe-aux-Trembles	2.4093	2.2246	0.0144	4.6483	2.7486	2.0441		4.7927
Rosemont–La Petite-Patrie	2.4093	2.2449	0.0089	4.6631	2.7486	2.0441		4.7927
Sud-Ouest	2.4093	2.7302	0.0119	5.1514	2.7486	2.0441		4.7927
Ville-Marie	2.4093	2.1965	0.0292	4.6350	2.7486	2.0441		4.7927
Villeray–Saint-Michel–								
Parc-Extension	2.4093	2.2120	0.0088	4.6301	2.7486	2.0441		4.7927
Montréal-Nord	2.4093	1.8334	0.0751	4.3178	2.7486	1.7452	0.0700	4.5638
Outremont	2.4093	1.6223	0.0057	4.0373	2.7486	1.3741		4.1227
Pierrefonds	2.4093	2.0752	0.0433	4.5278	2.7486	1.9817	0.0326	4.7629
Roxboro	2.4093	1.8946	0.0286	4.3325	2.7486	1.7998	0.0326	4.5810
Sainte-Geneviève	2.4093	1.8543	0.0111	4.2747	2.7486	1.6767		4.4253
Saint-Laurent	2.4093	1.8407	0.0063	4.2563	2.7486	1.5109		4.2595
Saint-Léonard	2.4093	1.8498	0.0263	4.2854	2.7486	1.6851	0.0146	4.4483
Verdun	2.4093	1.6965	0.0078	4.1136	2.7486	2.2104	0.2331	5.1921
Ville de Montréal	**2.4093**				**2.7486**			
Reconstituted municipalities	**2.3292**				**2.6666**			

1. All property taxes are expressed in dollars per $100 valuation.
2. In 2007, the forward averaging of the four-year valuation roll for 2007-2010 was applied to all sectors.
3. The average cumulative rates correspond to the sum of a council's revenues from taxes user fees, divided by the values of properties situated within that juridiction. The global rate correspond to the set of average cumulative rates for the three levels of taxation.

Taxable and Non-Taxable Values by Borough, Ville de Montréal
December 31, 2006

Sector-Boroughs	Units	Taxable value ($M)			Non-taxable ($M)	Total of roll	
		Residential	Commercial, industrial	Vacant lot		Value ($M)	Relative share
Anjou	12,475	1,764.7	1,008.8	11.5	163.2	2,948.2	2.69%
Lachine	11,596	1,620.6	768.6	23.5	312.3	2,725.0	2.49%
LaSalle	17,059	2,808.5	763.6	12.2	480.0	4,064.3	3.71%
L'Île-Bizard / Sainte-Geneviève	6,582	1,109.3	49.1	7.8	93.1	1,259.3	1.15%
Montréal							
Ahuntsic-Cartierville	26,872	5,322.3	1,139.4	24.2	1,436.2	7,922.1	7.24%
Côte-des-Neiges–Notre-Dame-de-Grâce	23,948	6,564.4	1,029.8	24.9	2,504.0	10,123.1	9.25%
Mercier–Hochelaga-Maisonneuve	26,471	4,210.1	988.5	31.0	1,340.2	6,569.8	6.00%
Plateau-Mont-Royal	22,697	4,716.0	958.1	21.8	904.2	6,600.1	6.03%
Rivière-des-Prairies–Pointe-aux-Trembles	31,744	4,050.5	853.2	41.2	931.4	5,876.3	5.37%
Rosemont–La Petite-Patrie	26,938	4,790.7	691.6	21.3	1,104.4	6,608.0	6.04%
Sud-Ouest	16,011	2,214.4	621.2	21.5	680.4	3,537.5	3.23%
Ville-Marie	24,818	4,856.3	9,813.4	180.7	5,061.3	19,911.7	18.19%
Villeray–Saint-Michel–Parc-Extension	23,226	3,772.2	877.7	12.6	767.3	5,429.8	4.96%
Montréal-Nord	13,698	2,415.5	474.7	11.7	343.2	3,245.1	2.96%
Outremont	5,902	2,270.6	98.6	2.9	393.2	2,765.3	2.53%
Pierrefonds / Roxboro	20,881	3,086.2	174.0	18.4	315.7	3,594.3	3.28%
Saint-Laurent	23,131	4,127.6	3,240.2	168.5	869.9	8,406.2	7.68%
Saint-Léonard	12,170	2,979.7	827.1	20.1	254.3	4,081.2	3.73%
Verdun	18,631	3,165.0	241.8	16.3	389.5	3,812.6	3.48%
Ville de Montréal	**384,850**	**65,844.6**	**24,619.4**	**672.1**	**18,343.8**	**109,479.9**	**100.0%**

Source : Ville de Montréal, 2004-2006 property roll as at December 31, 2006.

Taxable and Non-Taxable Values by Related Municipality, Agglomeration of Montréal
December 31, 2006

Related municipalities	Units	Taxable value ($M)			Non-taxable ($M)	Total of roll	
		Residential	Commercial, industrial	Vacant lot		Value ($M)	Relative share
Baie-d'Urfé	1,594	430.1	185.8	6.2	50.3	672.4	0.49%
Beaconsfield	6,807	1,711.4	26.6	16.1	114.2	1,868.3	1.37%
Côte-Saint-Luc	9,363	2,328.9	94.1	6.9	221.3	2,651.2	1.94%
Dollard-des-Ormeaux	14,212	2,737.4	272.2	17.8	244.5	3,271.9	2.39%
Dorval	6,033	1,043.5	784.6	20.9	1,266.3	3,115.3	2.28%
Hampstead	1,866	933.9	0.2	3.5	50.0	987.6	0.72%
L'Île-Dorval	74	5.0	0.0	0.0	0.6	5.6	0.00%
Kirkland	7,083	1,553.2	444.3	13.3	64.7	2,075.5	1.52%
Montréal	364,850	65,844.7	24,619.4	672.0	18,343.7	109,479.8	80.00%
Mont-Royal	5,265	2,241.7	622.2	11.0	151.4	3,026.3	2.21%
Montréal-Est	1,212	130.0	470.1	18.1	69.1	687.3	0.50%
Montréal-Ouest	1,591	452.3	16.3	0.2	32.9	501.7	0.37%
Pointe-Claire	10,587	1,852.1	1,166.9	21.2	266.3	3,306.5	2.42%
Senneville	409	183.6	47.0	0.1	42.3	273.0	0.20%
Sainte-Anne-de-Bellevue	1,585	256.8	52.2	14.5	197.9	521.4	0.38%
Westmount	5,634	3,527.5	324.8	9.5	535.9	4,397.7	3.21%
Agglomeration of Montréal	**438,145**	**85,232.1**	**29,126.7**	**831.3**	**21,651.4**	**136,841.5**	**100.0%**

Source : Ville de Montréal, 2004-2006 property roll as at December 31, 2006.

Detailled Direct and Indirect Debt and Long-Term Unfunded Expenditures
December 31, 2006

	(in thousands of dollars)
	2006
Gross direct debt	
Long-term debt – Repayment of net obligation of pension plans	1,468,010
Long-term debt – Other	5,082,715
Long-term unfunded financial activity expenditures (1)	95,626
Long-term unfunded investment expenditures (1)	285,807
	6,932,158
Less:	
Amounts recoverable from third parties for repayment	
From the Government of Québec (2)	1,311,031
From other third parties	67
Amounts accumulated for repayment (3)	1,203,294
Amounts recoverable through user fees	215,671
	2,730,063
Net direct debt and long-term unfunded expenditures	4,202,095
Indirect debt (A)	
Organizations included in the reporting entity	
Société de transport de Montréal	
Long-term debt	692,522
Long-term unfunded investment expenditures (1)	177,737
	870,259
Less:	
Amounts recoverable from the Government of Québec and the Agence métropolitaine de transport for repayment	358,158
Amounts accumulated for repayment	120,739
	391,362
Société d'habitation et de développement de Montréal	
Long-term debt	127,853
Société de développement de Montréal	
Long-term debt	91,772
Anjou 80	
Long-term debt	3,426
Gross indirect debt and long-term unfunded expenditures	1,093,310
Net indirect debt and long-term unfunded expenditures	614,413
Gross indirect and direct debt and long-term unfunded expenditures	8,025,468
Net direct and indirect debt and long-term unfunded expenditures	4,816,508

Direct and Indirect Debt and Long-Term Unfunded Expenditures (continued)
December 31, 2006

	(in thousands of dollars) 2006
Population (4) (5)	1,766,861
Standardized equivalent taxable valuation (page 67) (5)	159,912,002
Net direct debt and long-term unfunded expenditures	
Per capita (in dollars)	2,378
% of standardized equivalent taxable valuation	2.6%
Net direct and indirect debt and long-term unfunded expenditures	
Per capita (in dollars)	2,726
% of standardized equivalent taxable valuation	3.0%
Debt service	
Financing expenses	
Repayment of net obligation of pension plan	86,804
Other	314,143
Repayment of long-term debt	
Repayment of net obligation of pension plan	383,982
Other	16,515
	801,444
Less:	
Conditional transfers, Sinking Fund interest and user fees	(260,579)
	540,865
Total adjusted revenues (6)	3,583,432
% of debt service	15.1%

(A) Indirect bonded debt represents the debt of the organizations included in the reporting entity. The organizations are as follows: Société de transport de Montréal, Société d'habitation et de développement de Montréal, Société de développement de Montréal and Anjou 80.

(1) Long-term unfunded expenditures are included in this schedule for comparison from one year to the next, since borrowings are sometimes deferred, due, among other things, to fluctuations in global financial markets.

(2) The amounts recoverable for repayment of long-term debt represent various subsidized projects supported by the Government of Québec.

(3) The amounts accumulated for repayment comprise the amounts accruing to the Sinking Fund and the deferred revenues resulting from the disposal of assets.

(4) The population figures are taken from the Gazette Officielle du Québec.

(5) The population and harmonized equivalent taxable valuation are weighted based on the debt burden.

(6) Adjusted revenues represent total revenues reduced by conditional transfers in payment of debt service, Sinking Fund interest and user fees related to the use of underground conduits.

General Statistics
December 31, 2006

20 MAJOR TAXABLE PROPERTIES

Identification	Address	Valuation roll (in millions)	Percentage (1)
		$	%
Place Ville-Marie	1-5, place Ville-Marie	515.0	0.45
Complexe Desjardins	100-190, rue Sainte-Catherine Ouest	377.4	0.33
Tour I.B.M. – Marathon	1250, boulevard René-Lévesque Ouest	245.0	0.21
Centre Fairview Pointe-Claire	6701-6901, route Transcanadienne	223.1	0.19
Galeries d'Anjou	8001, boulevard les Galeries d'Anjou	196.6	0.17
Le 1000 de la Gauchetière	1000, rue de la Gauchetière Ouest	191.6	0.17
Le 100 de Gaspé	100, rue de Gaspé	175.0	0.15
Caisse de dépôt et de placement du Québec	1000, place Jean-Paul Riopelle	159.5	0.14
Eaton Centre	705, rue Sainte-Catherine Ouest	150.9	0.13
Bell Centre	1200-1260, rue de la Gauchetière Ouest	150.0	0.13
Tour Bell	700, rue de la Gauchetière Ouest	146.8	0.13
Rockland Shopping Centre	2305, chemin Rockland	136.9	0.12
Sun Life	1153-1155, rue Metcalfe	134.0	0.12
Place Versailles	7255-7525, rue Sherbrooke Est	131.6	0.11
Banque Nationale de Paris	1981, avenue McGill College	130.0	0.11
Place Victoria – Stock Exchange Tower	800, place Victoria	127.5	0.11
E-Commerce Place	1350, boulevard René-Lévesque Ouest	120.7	0.10
Merck Frosst Canada Ltd	16701-16711, autoroute Transcanadienne	114.4	0.10
Carrefour Angrignon	7071-7101, boulevard Newman	113.0	0.10
National Bank Tower	600, de la Gauchetière Ouest	110.6	0.10

(1) Percentage applicable to total valuation of the taxable immovables of $115,190.1 million on the 2004-2006 roll, tabled on September 12, 2003, updated on December 31, 2006.

General Statistics (continued)
December 31, 2006

20 MAJOR NON-TAXABLE PROPERTIES YIELDING PAYMENTS IN LIEU OF TAXES

Identification	Address	Valuation roll (in millions)	Percentage (1)
		$	%
FEDERAL GOVERNMENT AND AGENTS			
Aéroport international Pierre-Elliott-Trudeau (2)	Aéroport international Pierre-Elliott-Trudeau	643.6	2.97
Canadian Broadcasting Corporation	1400, boulevard René-Lévesque Est	98.8	0.46
Aéroport international Pierre-Elliott-Trudeau (Annex)	Hervé St-Martin	92.1	0.43
GOVERNMENT OF QUÉBEC			
Palais de justice de Montréal	1, rue Notre-Dame Est	162.3	0.75
Place des Arts	105-175, rue Sainte-Catherine Ouest	123.8	0.57
SOCIAL AFFAIRS NETWORK			
Jewish General Hospital	4615, chemin de la Côte Sainte-Catherine	144.3	0.67
Centre hospitalier de l'Université de Montréal	1560, rue Sherbrooke Est	138.8	0.64
Hôpital Sainte-Justine	3165-3185, chemin de la Côte Sainte-Catherine	112.8	0.52
Hôpital Maisonneuve Rosemont	5305-5415, boulevard de l'Assomption	104.4	0.48
Royal Victoria Hospital	687-835, avenue des Pins Ouest	90.8	0.42
EDUCATION NETWORK			
Université de Montréal	2450, boulevard Édouard-Montpetit	449.2	2.07
McGill University	677-961, rue Sherbrooke Ouest	235.5	1.09
Université du Québec à Montréal	2080, rue Saint-Urbain	231.4	1.07
Concordia University	1515, rue Sainte-Catherine Ouest	138.7	0.64
Université du Québec à Montréal	400, rue Sainte-Catherine Est	135.5	0.63
École Polytechnique	2500, chemin de la Polytechnique	118.2	0.55
McGill University	455-551, avenue des Pins Ouest	93.9	0.43
Concordia University	7141, rue Sherbrooke Ouest	93.3	0.43
École des Hautes Études Commerciales	3000, chemin de la Côte Sainte-Catherine	86.7	0.40
OTHER			
Palais des Congrès de Montréal	155-301, rue Saint-Antoine Ouest	276.8	1.28

(1) Percentage applicable to the total valuation of the tax-exempt immovables of $21,651.4 million for the 2004-2006 roll, tabled on September 12, 2003, updated on December 31, 2006.

(2) Main account

General Statistics (continued)
December 31, 2006

20 PROPERTIES GENERATING HIGHEST REVENUES FROM TAXATION

Identification	Address	Revenues (1) (in millions)	Percentage (2)
		$	%
Aéroport international Pierre-Elliott-Trudeau (3)	Aéroport international Pierre-Elliott-Trudeau	24.8	0.91
Place Ville-Marie	1-5, place Ville-Marie	23.7	0.87
Complexe Desjardins	100-190, rue Sainte-Catherine Ouest	17.9	0.66
Tour I.B.M. – Marathon	1250, boulevard René-Lévesque Ouest	11.5	0.42
Le 1000 de la Gauchetière	1000, rue de la Gauchetière Ouest	9.0	0.33
Galeries d'Anjou	8001, boulevard les Galeries d'Anjou	9.0	0.33
Palais des Congrès de Montréal	155-301, rue Saint-Antoine Ouest	8.5	0.31
Palais de justice de Montréal	1, rue Notre-Dame Est	7.9	0.29
Caisse de dépôt et de placement du Québec	1000, place Jean-Paul Riopelle	7.6	0.28
Eaton Centre	705, rue Sainte-Catherine Ouest	7.2	0.26
Place des Arts	105-175, rue Sainte-Catherine Ouest	7.0	0.26
Bell Centre	1200-1260, rue de la Gauchetière Ouest	6.9	0.25
Aéroport international Pierre-Elliott-Trudeau (Annex)	Hervé St-Martin	6.8	0.25
Bell Canada	700, rue de la Gauchetière Ouest	6.7	0.25
Sun Life	1153-1155, rue Metcalfe	6.6	0.24
Université de Montréal	2900, boulevard Édouard-Montpetit	6.5	0.24
Place Versailles	7255-7525, rue Sherbrooke Est	6.3	0.23
Place Victoria – Stock Exchange Tower	800, Place Victoria	6.2	0.23
Banque Nationale de Paris	1981, avenue McGill College	6.2	0.23
Centre Fairview Pointe-Claire	6701-6901, route Transcanadienne	5.9	0.22

(1) These amounts comprise water-rate and services taxes and real estate taxes.

(2) Percentage applicable to fiscal 2007 mass income tax revenues of $2,729.4 million (including taxable and tax-exempt immovables yielding payments in lieu of taxes).

(3) Main account

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